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## U.S. Says Economy Grew at Fast 7.5% Pace in 2d Quarter

By John M. Berry  
Washington Post Service  
WASHINGTON — The U.S. economy grew at an unexpectedly rapid 7.5 percent annual rate in the second quarter, while inflation dropped to less than a 4 percent rate, the Commerce Department reported Monday.

It's exceptionally good news again," said the White House spokesman, Larry Speakes. He said the figures show that "economic growth in the recovery is stronger

The 7.5 percent rate of growth for GNP reported Monday was an upward revision from the so-called flash estimate of 5.7 percent, which was based on partial information before the quarter ended. Even the 5.7 percent was higher than most forecasters had predicted.

Inflation was at a 3.2 percent annual rate in the quarter, down from the 4.4 percent of the previous two quarters.

The strong GNP growth was achieved even though inventories declined. Because inventories remained unusually low compared to current sales, forecasters said that businesses could be expected to place new orders in an effort to increase their stocks of goods. That should mean a further rise in production and employment, analysts said.

Although they expressed satisfaction that the GNP showed strong growth, some administration officials remain concerned that unless it slows soon, interest rates will rise sharply.

Mr. Baldrige expressed optimism on this point. "As we shift gears to a slower and sustainable growth rate in the second half, and recoveries abroad gather strength, I think we'll see an easing of upward pressures on interest rates and the dollar," he said. "A large drop in interest rates and the dollar will be contingent upon further measures enacted next year to reduce the budget deficit."

Many economists expressed surprise at the new GNP figures. Jerry Jasinski of the National Association of Manufacturers called it "perplexing," and declared, "The business cycle has gone a little bananas. I would have expected consumer spending to have slowed by now."

But consumer spending on goods and services rose at a 6.9 percent annual rate in the April-June period, a rate exceeded during the recovery only by the surge in buying in the spring quarter a year earlier, when consumers increased their outlays at a 10 percent rate. Spending for personal consumption rose at a 4.6 percent rate in the first quarter.

Meanwhile, business investment in new plants and equipment rose at a 29.7 percent annual rate, almost identical to the 26.6 percent rate of the first quarter.

Gains in residential construction, however, slowed somewhat, because of rising mortgage interest rates. Housing investment was up at a 9.5 percent rate, down from the 16.3 percent pace of the first quarter.

"This is the strongest postwar increase... for comparable expansion periods," he said.

## Markets React To GNP News

■ The dollar set records in Europe.  
■ U.S. stock prices dropped most of the day on fears that the GNP data may mean higher interest rates.

than at any time since 1950. Inflation remains nailed down and the economy remains on track."

The department also revised its estimates of the gross national product for the past three years to show a somewhat deeper decline during the 1981-82 recession and a swifter recovery in the total output of the nation's goods and services. The increase in GNP in the first quarter of 1984 was revised upward to a 10.1 percent annual rate, adjusted for inflation, from the 9.7 percent estimated earlier.

In the year and a half since the recovery began, the economy has expanded at more than a 7 percent annual rate, far more rapidly than most economists had expected. Moreover, it has done so with little acceleration in inflation, an equally unexpected result.

"I don't know how you could write a script for a better recovery than you have right now," said Commerce Secretary Malcolm Baldrige. "Inflation seems to be under control now."

But he said that "we're not satisfied with every aspect of economic performance," particularly interest rates, exports and budget deficits.

"Capital spending has been a driving force in this economic upswing," he said.

Inflation adjusted spending for business plant and equipment, he said, rose by 25.5 percent since the fourth quarter of 1982.

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Some protesters were overcome by tear gas when police dispersed about 18,000 demonstrators in central Manila.

## Police in Philippines Break Up Protest by 18,000

Compiled by Our Staff From Dispatches

MANILA — About 2,000 policemen used tear gas and truncheons Monday to disperse 18,000 anti-government protesters shortly before President Ferdinand E. Marcos addressed the opening session of the National Assembly.

At least 13 of the protesters were treated at hospitals for minor fractures, bruises and gas inhalation.

The demonstration took place at Bonifacio Plaza in central Manila, several miles from the assembly building. There were no immediate reports of arrests.

Mr. Marcos told the assembly, which includes the largest opposition faction since he disbanded a U.S.-style congress and imposed martial law in 1972, that his emergency law-making powers make a return to martial law unnecessary.

He said demonstrations were a "necessary part of our democratic life," but contended they were being infiltrated and manipulated by communist subversives.

The president, who retains the power to make laws by decree, said the opening of the assembly marked the "full restoration of representative government."

Opposition leaders have said that if Mr. Marcos continues to exercise powers of decree, they will challenge their constitutionality in the Supreme Court.

Opponents of Mr. Marcos, who had held a maximum of 13 seats in the previous assembly, won 71 of the 183 contested seats during elections May 14.

The outcome of some contests is still in dispute. Seventeen of the 200 seats are filled by presidential appointment.

Supporters of Mr. Marcos remain in firm control of the assembly. They won their first vote Monday by electing a longtime Marcos ally, Nicanor Yniguez, 68, as speaker.

Mr. Marcos warned that the country still faced serious economic problems and what he called a festering communist insurgency that could exploit these problems.

"If our republic falls, it will not fall into your hands," he said. "It will fall into the hands of those who seek political power through the barrel of a gun."

He added, "The fact of the matter is that the situation is fully under control, and even if the situation should deteriorate, we have precisely installed adequate checks and responses" to cope with this "without having to repair to martial law."

An opposition assemblyman, Ramon Mitra, said he had "heard it all before" and did not trust Mr. Marcos when he said he would not reimpose martial law.

Riot police had formed a wall across the main road leading to the assembly building on the outskirts of suburban Quezon City to keep back marchers led by Agapito Aquino, the brother of the assassinated opposition leader, Benigno S. Aquino Jr.

The marchers confronted the troops for nearly an hour before dispersing to join the larger demonstration in central Manila, where several groups were protesting Mr. Marcos's lawmaking powers, U.S. involvement in the Philippines, low wages, rising prices and alleged cheating in the National Assembly elections.

Police moved in about 10 minutes after Manila's police chief, Brigadier General Narciso Cabrera, ordered the crowds to disperse.

He said the authorities revoked a

demonstration permit earlier granted to the protesters because of intelligence reports that they had been infiltrated by communists.

A protester was seen bleeding from the head and a bystander collapsed as police wearing gas masks threw tear gas canisters from their jeeps, and other officers, swinging sticks, chased protesters from the plaza.

About 5,000 demonstrators regrouped and marched toward a university, chanting "Marcos! Hitler! Dictator! Puppet!" as thousands of bystanders cheered them on.

The new assembly opened as the assembly sought a restructuring of most of its \$26-billion foreign debt, on which it has not been able to make payments for nine months.

In his acceptance speech, Mr. Yniguez said, "We meet in the shadow of a financial crisis which has all but arrested a rate of growth once considered without parallel in our economic history."

He said the country cannot af-

ford the "extravagance of party warfare."

"We shall neither engage in the luxury of unreasoning support nor unreasonable opposition," he said.

Meanwhile, bankers said that many Philippine banks suffered heavy cash withdrawals Monday after a savings bank, Banco Filipino, suspended operations at its 89 branches.

Small and medium-sized banks were the hardest hit, but commercial banks were hardly affected.

Banco Filipino said it halted operations pending release of funds from the central bank, which said it had stopped assistance because the bank had misused funds.

The central bank governor, José Fernandez, said that the bank was a fairly isolated case and does not represent the situation in the Philippines banking system.

Banco Filipino has about 3.7 million depositors and assets of 47 billion pesos (\$260 million).

(AP, Reuters)

## Early Results In Israel Show Peres, Shamir Splitting Vote

Compiled by Our Staff From Dispatches

TEL AVIV — Israel Television projected a virtual toss-up in the country's parliamentary election Monday, giving 46 seats to the opposition Labor Party and 43 to the governing Likud bloc in the 120-member Knesset.

The projection, based on exit polls at 35 voting stations, indicated both parties would fall short of an absolute majority in parliament.

The projected result gave both the Labor Party, led by Shimon Peres, and Prime Minister Yitzhak Shamir's Likud bloc chances of forming a coalition government with smaller factions.

According to the projection, Labor, together with long-time partners, would need another eight seats to put together a coalition government of 61 Knesset members. Likud and its traditional backers would need another 10 seats.

The television poll showed that former Defense Minister Ezer Weizman's Yahad Party, which had been expected to do well, got only two seats. Rabbi Meir Kahane's Kach Party got into the Knesset, the poll showed.

First official results were due shortly after midnight Monday. Israel votes by paper ballot, and full official returns were not expected until Aug. 6.

Earlier, Mordechai Gur, Labor's campaign manager, said: "It's going to be very hard with less than 50 seats." In the 1981 election, Likud won 48 seats and Labor 47.

Likud officials say 45 seats will be enough for them to form a coalition, and they say they have more potential coalition partners to allow them to stay in power.

Mr. Peres appealed to voters to give him a solid majority so he would not be dependent on splinter parties.

No party in the nation's 36-year history has ever won a 61-seat majority in the Knesset.

More than 2.6 million Israelis were eligible to vote at the 4,850 polling booths, choosing among Labor, Likud and 24 other parties ranging from the extreme right to leftist and Communist groups and religious factions.

Armed Forces radio quoted former Prime Minister Menachem Begin as saying Monday that he would not vote. He cited personal reasons.

Mr. Begin had told The Associated Press on Sunday that he hoped the Likud would win, but his comment had not been expected to have much impact since Israel's radio and television are barred from broadcasting statements that can affect the election outcome.

Military sources in Tel Aviv said the army closed the crossing points into Israeli-controlled southern Lebanon along the Awali River in an effort to provide extra security for soldiers during the elections when guerrillas might be expected to step up attacks.

The Labor Party has promised to withdraw Israeli troops from Lebanon within six months and expressed an interest in opening peace talks with Jordan by offering it control of part of the occupied West Bank.

(UPI, AP)

## Labor Is Preferred in Amman

Jordan, along with Israel's other Arab neighbors, has been closely watching the political contest between Likud and Labor in the hope that the outcome might open the way for new peace initiatives. The New York Times reported from Amman.

Although Jordan's policy has been to pay little or no official attention to the Israeli elections, its clear favorite is the Labor Party.

Mr. Peres has said that if his Labor Party came to power, it would seek to open talks with the Jordanians and Palestinians, excluding the Palestine Liberation Organization over the future of the West Bank.

Mr. Peres has also said that he would halt construction of Israeli settlements near densely populated Arab areas.

Such statements have been greeted with cautious optimism in Amman.

"We like to be optimistic," a Jordanian official said. "We somehow feel the road to peace is shorter if the Labor Party wins."

(AP, UPI)

## U.S. Congress Resumes, But Will Cooperation?

By Martin Tolchin

New York Times Service

WASHINGTON — The United States Congress reconvened Monday for a three-week session between the Democratic and the Republican national conventions. It faces much unfinished business, including an overhaul of the immigration laws and military aid to Central America.

Before it recessed for the Democratic convention, Congress achieved an unexpected degree of bipartisan agreement on major legislative initiatives. The question now is whether bipartisan compromises will continue or whether the political pressures of an election year will make further legislative progress this year impossible.

There is little optimism that the immigration and the military budget measures at the top of the work list can be completed before the recess for the Republican convention. Congress will return after Sept. 3 and is scheduled to adjourn Oct. 4 to enable its members to campaign for re-election.

Nor is Congress expected to complete work on all the 13 appropriations bills needed to fund the U.S. government in the fiscal year that begins Oct. 1. Only three such bills have been enacted.

To keep the government running in the new fiscal year, Congress would have to approve all 13 bills or pass a continuing resolution that would allow spending to continue at least year's level in agencies that did not have their new appropriations bills approved.

A dispute on military spending has deadlocked two measures in conference between the House and Senate, and a speedy resolution is not expected. There are statements on both the budget resolution setting the overall ceiling on spending, and on the bill authorizing military spending for the new fiscal year.

In its 1985 budget resolution, the Senate approved \$299 billion in military spending for the fiscal year 1985, a 7.8 percent increase after taking account of inflation. But the House approved only \$285.7 billion, a 3.5 percent increase.

The Senate Republicans rejected an offer by House Democrats that

would provide nearly \$292.5 billion in military spending, a 5 percent increase in real growth.

Both the House and Senate reduced President Ronald Reagan's request for 40 MX missiles. The Senate reduced the number to 21 and the House to 15 with conditions. This difference also would have to be resolved to end the stalemate.

A House-Senate conference will also seek to resolve differences in a bill that would make sweeping changes in U.S. immigration laws. The measure narrowly passed the House but is strongly opposed by Hispanic people, many liberals and the Democrats' national standard-bearer, Walter F. Mondale and Representative Geraldine A. Ferraro of New York.

Both the Senate and House measures would penalize employers who knowingly hired illegal aliens. But the Senate bill would provide criminal as well as civil penalties, while the House bill would impose only civil fines.

The administration is planning a renewed effort to have Congress approve \$21 million in additional aid for Nicaraguan rebels. The \$24 million appropriated earlier this year has nearly been exhausted. Congressional Democrats vigorously opposed additional aid for the Nicaraguan rebels and were joined in the Senate by moderate Republicans who agreed to kill the proposal.

The administration also has requested an additional \$116 million in military aid for El Salvador in the current fiscal year, and \$132.5 million for 1985.

The lawmakers also are expected to consider another increase in the U.S. debt ceiling. On June 29, Congress increased the government's authority to borrow money from \$1,520 billion to \$1,573 billion. But the new debt ceiling provides only enough government borrowing authority to last through August.

The debt ceiling issue poses political problems for Senate Republicans who had promised in election campaigns not to vote to raise the debt ceiling but who are reportedly persuaded to do so by their party leaders, at the urging of the White House.

## U.S. to Deploy Missiles Until Soviet Joins Talks

Compiled by Our Staff From Dispatches

WASHINGTON — The United States declared Monday that it would continue to deploy medium-range nuclear missiles in Europe until the Soviet Union decides to resume strategic arms reduction talks.

In Moscow, the Soviet Union decided Monday that it would resume Geneva arms talks with the United States if nuclear missile deployment in Western Europe were to be frozen at present levels. It added that it had not moderated its stand as suggested by the president of Romania.

Both comments were in response to reports that the Russians might be willing to return to the bargaining table if the United States agreed to stop deployment. That was the gist of an interview given by President Nicolae Ceausescu of Romania to the Hearst News Service on Sunday.

But Tass, the Soviet news agency, said Monday that Moscow insisted that Washington remove all cruise and Pershing-2 nuclear missiles now deployed in Western Europe.

Moscow also hinted it would not negotiate with the United States on arms in space unless Washington stopped developing its anti-satellite weapon system.

"There is no sense in conducting the negotiations if there is no moratorium on testing," Vladimir Lokmeiko, a Foreign Ministry spokesman, said at a news conference.

Larry Speakes, the chief White House spokesman, said: "We have not changed our planning along those lines. We will definitely continue deployment." He said deployment would be halted if the United States and the Soviet Union reached agreement on an arms accord.

Earlier in the day, George P. Shultz, the secretary of state, said he saw no change in the Soviet stand against resuming nuclear missile talks. The secretary's comment was in response to a question about Mr. Ceausescu's reported remarks.

He added that the Soviet Union had started to negotiate about conditions for talks in Vienna on a ban on weapons in outer space.

## Cocaine Money Is the 'Snow' That Warms Bolivia's Economy

By Marlice Simons

New York Times Service

LA PAZ — In this cold capital, just below the glaciers of the Andes, it seems an abstract notion that thousands of people are busily picking, processing and transporting coca leaves across a lower and warmer part of Bolivia. But when it "snows" in the tropical lowlands, businessmen smile knowingly here.

It means, they say, that a new wave of cocaine money is entering this country's tiny economy.

Recently, it was snowing again, according to a banker. He said that in one of his provincial branch offices "a single deposit of \$1 million" had just come in.

Cocaine dollars from the United States, Canada and Europe have a ripple effect in this capital; they have promoted the sales of cars, television sets, kitchen appliances and weapons. They are said to account for the present stable rate of the dollar on the busy black market.

Diplomats concerned with the movement of narcotics say about 100,000 tons of coca leaf bring in about \$800 million a year. Perhaps half of this, they say, goes to bank accounts in the Bahamas, Switzerland or Florida. The other half, they believe, returns to Bolivia, matching the \$400 million the country earns a year from its major legal export, natural gas.

"There are cocaine millionaires but no cocaine taxes," a diplomat said. "You can see the ostentatious spending, the luxury hotels with 20 percent occupancy, garish houses with turkeys, \$30,000 weddings, trips to Europe, all of that while the country is broke."

The fact that Bolivia has become the single largest supplier of the ingredient for cocaine is not itself a major preoccupation. People say they are used to seeing their raw materials exported.

But some citizens, including churchworkers, expressed concern over the new use of coca leaf created by the demand from abroad. The Indian population has chewed coca leaves as an energizer for centuries. Coca is sold legally in the markets.

Now there is a growing demand among city people for "base," one of the several stages of cocaine refinement. This mix of coca leaves, kerosene and sulfuric and hydrochloric acid is rolled with tobacco and smoked. Known here as "barroco," it reportedly damages the brain and lungs. Government officials have promised to intervene.

La Paz is extraordinarily silent for a Latin city. A million people move quietly along under a transparent sky and against a backdrop of majestic ridges. Even its market is subdued. And it is in the market that inflation and devaluation are highly visible.

People pass around thick wads of money for a modest sale. A 100-peso bill, worth \$4 four years ago, has dropped to the level of three U.S. cents. Because the largest banknote is 1,000 pesos and people use few checks and no credit cards, larger transactions are an impressive sight — big wads of bills tied together.

In La Paz, it is obvious that the military is accustomed to being in charge. For it has ruled, often brutally, for the last two decades. Despite current and recent civilian rule, there are plenty of uniformed men around town.

The inauguration of a civilian president, Hernán Siles Zuazo, in 1982 is said to have made life a little dull at the army high command. The president, however, was kidnapped June 30 and held for 10 hours, apparently by cocaine traffickers and renegade military leaders, before being released.

No one has said life is much different for the poor majority, the Aymara and Quechua Indians, but for the politicians there are elements of change. Exiles have returned, the dreaded secret police cars have stopped prowling, unions are calling for strikes and the press is unusually free.

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# Syria, Stopping Lebanese Clashes, Demonstrates Its Muscle

By Loren Jenkins

Washington Post Service

BEIRUT — As armed clashes between militias in Lebanon, the three-day fight in the northern district of Koura this month was not unusual. It was, according to commentators here, just another turf war between two former allies who had fallen out.

Suleiman Frangieh, a former president and a Christian Maronite leader from the mountains of northern Lebanon, was apparently trying to expand his territory at the expense of Inan Raad, a Greek Orthodox who heads the National Syrian Social Party. Mr. Raad's strength lies in the Koura district on the edges of Mr. Frangieh's traditional fiefdom.

If the falling out was not unusual, what impressed Lebanese was the speed with which President Hafez al-Assad of Syria moved to end the clash and the determination he

showed in halting the sort of outbreak that in the past he either tolerated or encouraged.

Observers said Mr. Assad's action was the latest indication of the

## NEWS ANALYSIS

extent to which the Syrian president has become the ultimate governing force in the country since the United States ended its direct support of President Amin Gemayel in February. It was then that Washington withdrew the U.S. Marine contingent to the multinational peacekeeping force that had propped up the Gemayel government.

In Koura it was noted that it was Mr. Assad in Damascus, not Mr. Gemayel in Beirut, who sent his personal military aide to halt the fighting.

It was also to Damascus that Robert Frangieh, the former presi-

dent's son and a militia chief, and Mr. Raad were summoned to sit down with Abdul Halim Khaddam, Syria's vice president and Mr. Assad's chief adviser on Lebanon, to make peace. It was the Syrian Army, not a Lebanese force, that moved into Koura to supervise the disengagement of rival forces.

"Make no mistake about it, the real government of Lebanon sits in Damascus these days, not in Beirut," said an analyst, who asked that his name not be used. "Whatever chance there was after the Israeli invasion in 1982 for the reestablishment of a truly independent Lebanese government ended when the Americans pulled out."

That point first became clear immediately after the departure of the U.S. Marines last winter. Mr. Gemayel, who had gambled on promises of continued U.S. support, was forced to go to Damascus to see

Mr. Assad and agreed to the abrogation of the Lebanese-Israeli troop withdrawal agreement, which had been brought about by Washington.

Having used the bluntest of methods to gain the U.S. withdrawal from Lebanon and the abrogation of the accord, Mr. Assad has since fallen back on more subtle diplomacy to steer Lebanon's factions into accepting Syrian hegemony.

"Assad knows that in Lebanon no one group can rule and that control can only be achieved by balancing the various forces in the country," said a Lebanese editor. "His technique is to never let any one person or faction rise too high or fall too low."

Thus, having humbled Mr. Gemayel by making him bow to Syrian interests, Mr. Assad then turned to support him against Walid Jumblat, a Druze leader, and Na-

bih Berri, a Shiite leader. Both men are Assad allies who had sought Mr. Gemayel's outright resignation.

Similarly, when both Mr. Jumblat and Mr. Berri balked at joining the Syrian-endorsed cabinet of national unity, the two were summoned to Damascus and persuaded to do so by Mr. Assad and Mr. Khaddam.

When the creation of the cabinet failed to produce an accord ending the fighting in Beirut last month, Mr. Khaddam, at the request of Prime Minister Rashid Karami of Lebanon, flew to Mr. Gemayel's home town of Bikfaya and held meetings with the Lebanese president, Mr. Karami and leading political and faction leaders.

Out of the 12-hour session emerged the accord that ended the fighting in Beirut, bringing the first semblance of normalcy to the Lebanese capital in years.

The irony is that in the past, Syria, through its disbursements of arms and money, has been considered one of the main forces behind Lebanon's disorders.

Western diplomats and Arab analysts say that Mr. Assad, having won his strategic goal of keeping Lebanon in Syria's sphere of influence rather than in that of Israel or the United States, now wants to quiet things in Lebanon so he can get on with his other major objective of confronting Israel.

"Syrian domination of this country may not be what we like, but for the people of Lebanon, that may not be all bad if they can restore some approximation of peace," said a senior Western diplomat who has lived in Beirut for two years. "Let's face it—neither Israel nor the United States was able to accomplish that here. If the Syrians can do it, at this stage that is something positive nevertheless."

## Factions Near Beirut To Disengage Militias

United Press International

BEIRUT — Lebanon's Muslim and Christian factions agreed Monday to separate opposing militias near Beirut's international airport, where scattered fighting has undermined Beirut's new security plan.

A cease-fire committee representing the factions said it would take about two days to disengage militia forces in the hills, five miles (eight kilometers) south of central Beirut, a Lebanese security official said.

Lebanese militiamen clashed Sunday in Kfar Shima, a Christian village, and Schweifat, a Druze Muslim suburb, less than a mile southeast of the airport. At least four persons were reported injured.

Police said fires broke out in Kfar Shima and a few stray shells landed in Baabda, a Christian suburb of east Beirut where the presidential palace is situated.

By most accounts, clashes along the part of this front line closest to Beirut airport on Sunday were the worst since a Syrian-backed security plan, which in effect is a cease-

fire, took effect July 4 in Beirut. Air traffic remained normal.

The security plan gradually has disarmed rival Christian and Muslim militias in Beirut and deployed the army along front lines, where only sporadic sniping incidents disrupt a cease-fire.

But fighting broke out almost daily in the hills barely a mile southeast of the airport, undermining government plans to move the army into place as a buffer force between the region's rival militiamen.

The violence has frustrated government efforts to extend the security plan to the Chuf mountains, which overlook the city and the airport. The Syrian-mediated plan stopped five months of heavy sectarian fighting inside Beirut.

President Amin Gemayel discussed preparations for the disengagement with Prime Minister Rashid Karami and Brigadier General Michel Aoun, the new Lebanese army commander. Beirut radio stations reported.

Military preparations were complete for the deployment of an army brigade of 3,000 Druze Muslims and Christians under a Druze commander into the Chuf Mountains, L'Orient Le Jour and other media said. This would reopen the Beirut-Damascus highway and separate Christian army brigades from the Druze Muslim militia that controls the mountains.

In the northern port of Tripoli, rival Muslim gangs fought what security sources said was a "limited" street battle with machine guns and rocket-propelled grenade launchers. Police said at least two persons were wounded.

Commenting on plans to extend government authority to the Druze-controlled Chuf Mountains, the spiritual leader of the Druze community, Sheikh Mohammed Abu Shakra, requested that a Druze-dominated army brigade be used for the task.

"An army brigade which takes over a certain area should be made up of natives of this area because people are still anxious," Sheikh Shakra said in an interview published Sunday with Monday Morning, a weekly English-language magazine in Beirut.



A striking coal miner struggles with police near Edinburgh.

## U.K. Presses for Vote on Coal Strike; More Are Arrested at Scottish Mines

Compiled by Our Staff From Dispatches

LONDON — Britain's Conservative government stepped up pressure Monday for a national vote by coal miners as their strike entered its 20th week. There was fresh violence and arrests at two Scottish mines.

Energy Minister Peter Walker said in a radio interview that Arthur Scargill, head of the National Union of Mineworkers, would have held such a vote already had he been certain of winning it.

Mr. Walker, asked to explain the continuing solidarity of most of the miners, who have stopped work at two-thirds of Britain's mines, said that Mr. Scargill "needs masses of pickets" and "a great deal of victimization."

About a quarter of the country's 180,000 miners voted locally not to strike and continue to work despite

often violent clashes with pickets and police.

Hundreds of striking coal miners threw stones and fought with police outside Scotland's largest coal pit Monday. At Bilston Glen mine near Edinburgh, about 600 strikers pushed and shoved and nearly broke through a line of 500 police protecting 10 men who reported for work.

Police made 40 arrests in all, including 14 at Bilston Glen and 28 at the privately run Blinkbonny mine in Lothian where miners pulled down a stone wall to block a road. There were no reports of injuries.

The strike over plans to close unprofitable coal mines and lay off 20,000 miners has split the union.

The Conservative government of Prime Minister Margaret Thatcher after initially staying out of the dispute, has been trying to further

split moderate miners from their leaders and encourage pressure for a ballot.

But there have been no recent calls from miners asking the union to organize such a vote.

Negotiations between the National Union of Mineworkers and the coal board broke down last week. Press reports Monday said the union's executive committee was expected to reaffirm backing of the strike when it meets Thursday, leading to fears that the dispute could continue into 1985. No negotiations were expected in the near future.

The clashes at the Scottish mines coincided with the return of 35,000 longshoremen to Britain's 100 ports after ratification of an agreement between the dock workers union and management Sunday. This ended a 12-day strike that threatened to cripple the British economy.

The government hopes settlement of the 12-day dock strike will break the resolve of the miners. All British ports were working normally Monday, the National Association of Port Employers reported. (Reuters, AP)

## Gandhi Foes Stage Protest In Parliament

Compiled by Our Staff From Dispatches

NEW DELHI — The Parliament convened Monday with a scuffle and a walkout by opposition parties in both houses after the government refused to permit an unscheduled debate on its dismissal of the Jammu and Kashmir state government.

The lower house, or Lok Sabha, recessed for 20 minutes shortly after convening, when a Congress-I Party member threw a punch at an opposition lawmaker from Kashmir. He missed, and the two were separated after a scuffle.

The upper house, or Rajya Sabha, also adjourned briefly after a furor over the same issue.

The Jammu and Kashmir government, led by Chief Minister Farooq Abdullah, was dismissed July 2 after 12 state lawmakers withdrew their support, leaving Mr. Abdullah without a majority.

The opposition has charged that supporters of Prime Minister Indira Gandhi's Congress-I Party engineered the maneuver. They claim that the party is trying to destabilize local opposition governments and stifle debate.

Later Monday, the government declared Punjab state a "terrorist-affected area" and set up three special courts to try suspected extremists, under a presidential ordinance issued July 14.

A Home Ministry spokesman said the order would remain in force for six months.

In Punjab state, troops stood guard Monday in 473 centers while high school and university students took examinations that had been postponed for three months because of Sikh violence and a government crackdown.

Militants warned against participation but no disturbances were reported. Nearly 600 persons, by the government count, were killed in Punjab when troops stormed Sikh extremists encamped at the Golden Temple at Amritsar.

The government's handling of the Punjab crisis, the Kashmir issue, the dismissal of the opposition-led government in Sikkim state in May, Hindu-Muslim rioting in the Bombay area and federal moves to combat Sikh terrorism are likely to lead to further acrimony in Parliament.

The five-week session may be the last for the 788-member assembly before national elections. By law, Mrs. Gandhi must call elections by Jan. 14. (AP, Reuters)

## Miss America Yields Title Over Nude Photographs

Compiled by Our Staff From Dispatches

NEW YORK — Vanessa Williams gave up her crown as Miss America on Monday, bowing to demands by pagan officials that she resign because she appeared nude in pictures published by Penthouse magazine.

It was the first time that the winner of the nation's oldest and best-known beauty contest has stepped down.

"I am a fighter," Miss Williams, 21, said at a news conference, but added, "It would be difficult for me to appear as Miss America" since the photographs appeared in the magazine.

The photographs, which were taken before Miss Williams won her title, show her nude in intimate scenes with another woman.

Pageant officials were expected to award the crown later Thursday to the first runner-up, Suzette Charles, Miss New Jersey. The term of the current Miss America runs until September.

Miss Williams was the first black woman to hold the title. Miss Charles is also black.

Miss Williams said in her press conference, as she had in interviews Sunday, that she did not recall signing a release form permitting publication of the pictures.

An attorney for the magazine, Roy Grutman, said he had the form in his possession but refused to show it to her attorneys.

The pageant's executive director, Albert Marks Jr., told the Philadelphia Inquirer on Monday that the former Miss New York would not be permitted to attend this year's show, nor would there be any acknowledgment of her reign. (AP, UPI)

Acted From "Curiosity" Esther B. Fein of The New York Times reported earlier from Milwaukee, N.Y.

Miss Williams said in an interview Sunday that she had acted out of curiosity in agreeing to pose for the photographs.

Miss Williams said she first met the photographer, Tom Chappel, in the summer of 1982, when she applied for employment as a model at his studio in nearby Mount Kisco, New York. Efforts to reach Mr. Chappel were unsuccessful.

She later obtained a job at the studio as a makeup artist, and after working there "about a month and a half," she said, Mr. Chappel asked her if she would pose for nude and partially nude pictures.

"I was curious," Miss Williams said. "I was 19. I had never done any modeling before. But they were supposed to be confidential. They were never supposed to leave the studio, never to be published or seen by anyone but myself."

A few weeks later, she said, Mr. Chappel approached her again about posing in the nude.

"He said he wanted to try a new concept, silhouettes with two models," she said. "I had no idea what he was talking about. He said it would just be two models, he would tell us how to pose and that you wouldn't be able to recognize us, only shapes and forms."

## WORLD BRIEFS

### Britain Opposes Increasing EC Budget

BRUSSELS (AP) — Britain on Monday stepped up its campaign to limit European Community spending.

Sir Geoffrey Howe, the British foreign secretary, said during a break in talks among the foreign ministers of the 10-member community that Britain was opposed to spending more than the 25.4 billion European Currency Units (\$20 billion) previously budgeted for 1984.

He said, however, that Britain accepted that EC financial obligations this year would exceed the 25.4 billion ECU figure. He said the excess should be deferred until 1985 rather than be financed by a supplementary budget this year. Most of the other nine EC members favor a supplementary 1984 budget.

Sir Geoffrey said Britain believed the EC could find additional savings from the 1984 budget. The community's Executive Commission has estimated that the organization will need an additional 2 billion ECU this year.

### Swiss Get Data in U.S. Computer Case

BERN (Reuters) — A leading Swiss bank, Credit Suisse, has turned over information to the government on an alleged case of illegal export of U.S. high technology to the Soviet Union, a Justice Ministry spokesman said Monday.

He said the government will decide whether to pass on the information to U.S. officials.

The spokesman confirmed a Swiss press report that the U.S. Justice Department last year requested assistance in a case involving an unidentified American living in Switzerland, who allegedly bought computers designated as refrigerators and television sets from the United States and passed them to a second person, who arranged for their transport to the Soviet Union.

### Schluter Shuffles Danish Cabinet

COPENHAGEN (AP) — Prime Minister Poul Schluter shuffled his center-right coalition cabinet Monday after Finance Minister Henning Christophersen resigned to take a seat on the European Community's executive commission.

Mr. Christophersen, 44, a Liberal, will be succeeded by Palle Simonsen, 51, a Conservative who has been serving as minister of social affairs. Mr. Simonsen will be replaced by Elsebeth Koch-Petersen, 35, a Liberal who has been minister of churches.

### Cosmonauts Study Aerosol Layers

MOSCOW (AP) — Six Soviet cosmonauts aboard the Salyut-7 orbital research station spent Monday conducting experiments including measuring changes in star brightness to determine the density of aerosol layers, Tass said.

A spokesman for the inter-cosmos department of the Soviet Academy of Sciences said the layers under study were bands of suspended particles, originating in space, that form around the Earth.

Last week the spacecraft Soyuz T-12 carried three cosmonauts, including Svetlana Savitskaya, 35, the first woman to make two space voyages, to the orbital lab where three other spacemen have been working since Feb. 9.

### Corruption Trial Opens in Zimbabwe

HARARE, Zimbabwe (Reuters) — Two businessmen accused of bribing officials to conceal fraudulent transport claims totaling \$5 million went on trial Monday amid tight security.

Samson Bernard Paweni, 44, and an associate, Charles Harupeni, 28, pleaded not guilty to charges of bribing Labor Ministry officials to conceal inflated transport charges for distributing food to drought-hit areas.

Andrew Chigovera, the state prosecutor, alleged the two men gave a car and \$9,200 to two ministry officials to cover up claims between September 1983 and March of this year. The two officials, Gideon Govere and John Chimaka, have been jailed for 10 years and six years, respectively.

### Managua Is Said to Bar Clerics' Entry

MANAGUA (AP) — The Sandinista government, which has expelled 19 priests and nuns since it came to power in 1979, is now denying entry visas to members of Roman Catholic religious orders, according to Archbishop Miguel Obando y Bravo, the head of the Roman Catholic Church in Nicaragua.

"For the moment I have registered seven cases where they have denied visas to priests and certain nuns to enter the country," the archbishop said Sunday. The government has given no explanation for running down the requests, made by Italians, Mexicans and Costa Ricans, he said.

On July 9, a few hours after the first Catholic-led protest march in the country, the government expelled 10 foreign priests who had been working in Nicaragua.

### U.K. Clerk in Secrets Case Leaves Jail

SUTTON VALENTINE, England (AP) — Sarah Caroline Tisdall, a former British Foreign Office clerk imprisoned for leaking classified documents about the NATO missile deployment in Britain, was freed Monday after serving four months in prison.

Miss Tisdall, who left prison carrying 24 white carnations sent by Britain's Campaign for Nuclear Disarmament, was arrested and forced to leave her job in January. She was charged under the 1911 Official Secrets Act for sending a newspaper a copy of a secret memorandum by Defense Secretary Michael Heseltine to Prime Minister Margaret Thatcher in October.

Mr. Heseltine discussed the then-secret Nov. 14 date for the arrival of U.S. cruise nuclear missiles and his strategy for trying to minimize protests by keeping secret the date when the nuclear warheads would be fitted. Miss Tisdall said she was not against nuclear weapons in principle, but acted to protest what she regarded as the Conservative government's manipulation of public opinion over nuclear weapons.

### Chun Urged to Cancel Visit to Japan

SEOUL (UPI) — Seven Christian youth organizations said Monday that President Chun Doo Hwan should cancel a visit to Tokyo on the ground that Japan refused to repent of historical wrongdoings against South Korea. Korea was ruled by Japan from 1910 to 1945.

The statement, in behalf of Presbyterian, Methodist and Salvation Army youth groups, also said that Mr. Chun's visit to Japan, which is expected in September, was aimed at strengthening military relations among the United States, Japan and South Korea.

Mr. Chun would be the first South Korean government leader to visit Japan. Although the two countries established relations in 1965, ties are sometimes strained. South Korea said this month that Japanese textbooks, despite some changes that followed complaints by Seoul, still glossed over the excesses of the colonial period.

### For the Record

Experts of the UN Human Rights Commission have left Geneva for Suriname, it was announced Monday, at the invitation of the Paramaribo government of Colonel Desi Bouterse. Although 15 opponents of Colonel Bouterse were summarily executed in December 1982, he has rejected Dutch allegations of conducting a "reign of terror."

A Spanish financier, José Maria Ruiz Mateos, was ordered freed on bail of 10 million Deutsche marks (\$3.5 million) Monday by a Frankfurt court pending a decision on Spain's request that he be extradited to stand trial for fraud.

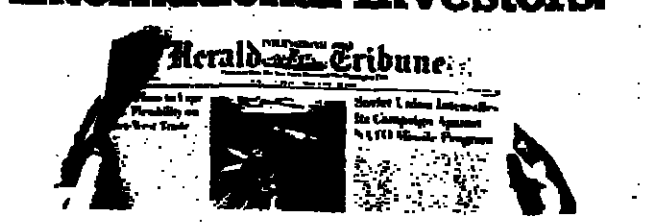
An imprisoned Jewish dissident, Zacher Zaslavski, began a hunger strike Saturday in Riga, Latvia, to protest his imprisonment on political charges, Jewish sources said. A hearing on his appeal against a three-year sentence was scheduled for Tuesday. Mr. Zaslavski has been demanding the right to emigrate to Israel.

A government-appointed mediator ruled Monday that Iberia, Spain's state airline, should cancel planned layoffs and changes in working conditions. Its 853 pilots went on strike June 19. Iberia said it expected normal operations to resume Tuesday. The ruling is binding for both sides.

The Guamanian leader, Flight Lieutenant Jerry Rawlings, arrived Monday in Havana on an official visit.

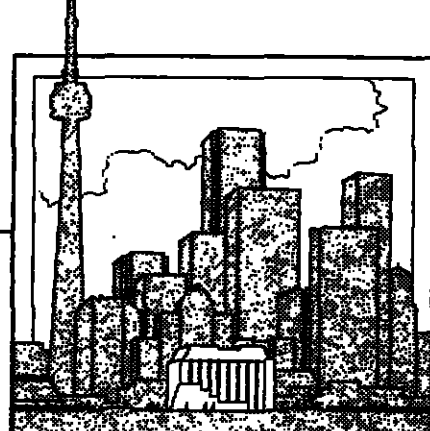
Floods in India have claimed at least 212 lives since the yearly monsoon rains began last month, an official said Monday. (AP)

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## Duarte, in U.S., Offers To Sign Nicaragua Pact If Arms Shipments Stop

Compiled by Our Staff From Dispatches  
WASHINGTON — President José Napoleón Duarte of El Salvador met Monday with President Ronald Reagan to discuss U.S. aid to his country and said afterward he is ready to sign a peace pact with Nicaragua's leftist leaders "if they are ready to stop sending arms to El Salvador."

"At this very moment, there is an operation in Nicaragua sending arms to El Salvador through the sea," Mr. Duarte said after his 30-minute meeting with Mr. Reagan. "And we don't like that," Mr. Duarte said. "I have said to the Nicaraguans that since we have respected them, we want us to be respected."

"I am ready to sign a treaty with Nicaragua," he said. "If they are ready to stop sending arms to El Salvador."

Critics of the administration's Central America policies have said that Nicaragua does not supply significant amounts of weapons or ammunition to the Salvadoran rebels.

From the White House, Mr. Duarte went to Capitol Hill to lobby for the additional aid. Congress, which returned Monday from a three-week recess, was to consider administration requests for \$116 million in additional military aid for El Salvador. Before leaving town June 29, Congress allocated \$62 million in military aid.

Congress has yet to act on a separate request for \$134 million in economic aid.

At his press conference, Mr. Duarte denied charges by a human rights group that his forces have bombed civilian villages, killing as many as 1,000 people.

"There might be bombing in areas where they find there is guerrilla actions but there are no aerial bombings in any towns, and if there is one it is against my specific orders," Mr. Duarte said.

Asked if he was in control of the military, Mr. Duarte said, "Oh, definitely."

Mr. Duarte said he and Mr. Reagan

had also discussed his just-concluded five-nation trip through Western Europe, conditions in his country and Central America, and regional peace efforts known as the Contadora process.

Over the last two weeks, Mr. Duarte held talks with government leaders in Belgium, Britain, France, Portugal and West Germany as part of a campaign to improve El Salvador's image in Western Europe and to solicit backing for his government.

During Mr. Duarte's trip, the Bonn government lifted a five-year-old ban on aid to El Salvador, saying it would provide \$18 million in financial and technical assistance.

On Monday, Mr. Duarte repeated an invitation for European foreign ministers to attend a meeting in Costa Rica with Central American nations in September. But "they cannot go empty-handed to the meeting in Costa Rica," he said. "They have to come with specific support. And I asked them to go with an economic support for all countries, not excluding anyone."

As Mr. Duarte arrived in Portugal, the Lisbon branch of Amnesty International charged that human rights violations have continued in El Salvador since Mr. Duarte took office June 1.

The group said Salvadoran state security forces and paramilitary organizations killed 133 civilians and government bodies arrested 47 persons illegally since the start of June.

Amnesty International said it was concerned about "the alarming number of human rights violations" because Mr. Duarte had pledged to take decisive measures against such abuses.

Asked in London what progress he had made in controlling assassination squads and rightist extremists in his country, Mr. Duarte replied:

"We are moving in that direction. In the last 30 days since I took office, I have not received any declarations or demands on abuses of authority."

(UPI/AP)



Walter F. Mondale took a break after the Democratic convention and went fishing at Minnesota's Guntfint Lake.

## Rival Campaign Leaders Square Off on U.S. TV

The Associated Press  
WASHINGTON — To the Democrats, Ronald Reagan is the rich man's president; to Republicans, Walter F. Mondale is an out-of-step liberal.

These are portraits that the campaign managers for President Reagan and Mr. Mondale drew of the opposition Sunday as they faced each other in a television interview.

Edward Rollins, the head of Mr. Reagan's re-election effort, made it clear that the Republican would try to counter the presence of Representative Geraldine A. Ferraro of New York as Mr. Mondale's running mate by hammering at his liberal record.

"He's got to run on his liberal record," Mr. Rollins said while appearing at the interview with Robert G. Beckel, manager of the Mondale-Ferraro campaign.

Mr. Rollins called Ms. Ferraro "a very exciting, very articulate, very intelligent advocate of a very liberal philosophy."

"You can talk all you want about traditional values," Mr. Rollins said, "but the Democratic Party has been the party of quotas, the party of alternative lifestyles, the party of gay rights."

Mr. Beckel countered by calling the Republicans the "party of the right wing. It's been the party of excluding everybody except for the very wealthy who have done very well for the last four years when the rest of the country hasn't done very well."

Mr. Rollins said Mr. Mondale would have to raise federal taxes by \$45 billion to \$90 billion to pay for promises he claimed Mr. Mondale had made to special interest groups to secure the nomination.

Mr. Reagan, Mr. Rollins said, "has raised taxes only in the sense that he has not gotten all the spending cuts he's asked out of Congress."

The White House has said that the amount of revenue needed will not be clear until the Treasury Department completes a study requested by Mr. Reagan, after the election.

Mr. Beckel called this "flim-flam at its highest order."

"The fact is," he said, "Ronald Reagan is going to have to raise taxes after this election to pay for the largest deficit in the history of this country."

"They're not going to tax their wealthy friends," Mr. Beckel continued. "They're not going to cut the defense budget and its waste because they won't hurt the defense contractors who they seem to like so much."

He said this "takes you right to the middle class, middle-income and poor people, the place you know they're going, and that's after the Social Security system."

In a separate television broadcast Sunday, the chairman of the Senate's tax-writing Finance Committee, Robert J. Dole, said that both candidates should reveal their plans for taxes and spending before the election.

The Kansas Republican said he prefers spending cuts to tax increases, and he urged that the winner of the election call a top-level bipartisan conference in January to deal immediately with the deficit.

Mr. Rollins charged that Mr. Mondale showed indecisiveness with his abortive effort to fire Charles T. Manatt as Democratic Party chairman and replace him with Bert Lance.

Mr. Beckel said Mr. Reagan showed lack of leadership by refusing Mr. Mondale's call for six presidential debates.

"Ronald Reagan has been campaigning by public relations," Mr. Beckel said. "We want to campaign by debate."

Reagan to Meet Press

President Reagan will hold a news conference at 8 P.M. Tuesday, the White House announced Monday. Mr. Reagan will have an opening statement, but the White House would not reveal the topic.

ed a commission and finder's fee for locating an apartment at the Watergate complex, consulting fees for supervising its renovation and additional fees for trying to find investment properties.

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## Poles Differ on Lifting of U.S. Sanctions

By Michael T. Kaufman  
New York Times Service

WARSAW — In the Polish capital, the issue of whether the United States should lift the economic sanctions against Poland draws a bewildering variety of responses, not all of them predictable.

The future of the sanctions, which were applied after the imposition of martial law Dec. 13, 1981, was unclear after the Polish parliament's passage Saturday of an amnesty bill under which almost all political prisoners are to be freed within 30 days.

The Ronald Reagan administration, which had made the freeing of political detainees a major condition for removing the sanctions, welcomed the action. But officials indicated that they were not yet ready to end the severest sanctions.

Larry M. Speakes, the chief White House spokesman, said Monday that President Ronald Reagan would probably decide "within the next several days" whether to ease the restraints. The Associated Press reported from Washington. Other officials said lifting of the bans on regularly scheduled Polish flights and scientific exchanges was being considered.

On the surface, it appears that the Polish government wants the United States to lift restrictions that limit access to U.S. government credits for purchases and deny favorable tariff status, while those who support the outlawed Solidarity movement want the restrictions retained. But interviews conducted before the amnesty was approved showed that the divisions were not quite so clear.

"The United States must keep the sanctions — no credits, no money, no matter what," said a man close to the Solidarity underground. He added that an amnesty for political prisoners should make no difference.

He added: "It doesn't matter if we go hungry since, as one of our slogans says, a hungry Pole will have his say."

But a prominent writer, a Solidarity sympathizer who sent back his Communist Party card when the union movement first developed, took another view.

"What is the logic of sanctions?" he said. "I can understand that a country applies sanctions if it wants to make things worse for the people of another country so that they then pressure their government to make changes. But does this apply to Poland?"

"The people here were pressuring the government to make changes before sanctions. At the moment all sanctions seem to be doing is to drive the government economically closer to the Red ones, further integrating Western-

oriented Polish industry into the Soviet economy."

A few months ago, Lech Walesa, a founder of the Solidarity union, indicated, according to some interpretations, that he favored an easing of the economic restrictions under some conditions.

Similarly, in a recent interview, five university students who were openly contemptuous of the government of General Wojciech Jaruzelski agreed that the utility of sanctions has ebbed.

A young woman said that occa-

sionally in the lines at shops "you hear one of the grandmothers saying that the lack of goods is the fault of the American sanctions. But then everybody else in line usually lectures her, saying that the shortages are really Polish and not American."

The severest sanctions still in effect are probably the following: the ban on U.S. credits for food and other commodity purchases; the denial of most-favored-nation tariff status; the U.S. refusal to support Poland's admission to the In-

ternational Monetary Fund; the ban on regularly scheduled commercial flights to the United States by LOT, the Polish airline; and curbs on U.S.-financed scientific exchanges with Poland.

The government has seldom noted that some of the original sanctions, including fishing quotas and LOT's charter landing rights, have been eased. Instead, stress has been laid on the social costs of the restrictions. This contrasts markedly in tone with the initial statements of the authorities that the sanctions would have little or no effect.

Polish economists say the measures have cost this country close to \$13 billion in lost production.

Western economists suggest, and some Polish economists agree, that a removal of the sanctions would hardly bring about a rush of generous creditors. Many Poles say that at best the amnesty can do little more than pave the way for mild improvement in Polish-U.S. relations.

## Moscow Cites Murders at McDonald's To Justify Boycott of Olympic Games

Compiled by Our Staff From Dispatches

MOSCOW — The Soviet Union has renewed its propaganda attacks on the Olympic Games, suggesting that the murder of 21 persons at a McDonald's restaurant in San Ysidro, California, last week justifies its boycott on the ground of inadequate security.

"Gunfire is thundering on the eve of the games in California," Tass said in an article printed by Sovetskoy Sport, the country's leading sports publication.

"The bloodletting gives nightmarish testimony to the climate of violence reigning in the 'Olympic state,'" the newspaper said in Sunday's edition.

It noted that the murders occurred "only an hour and a half by car from Los Angeles, the Olympic capital."

The murders "once again show what the 'security guarantees' of the U.S. authorities are worth, and what can happen to any guest in Los Angeles," the newspaper said.

Commenting on the competitive effects of the boycott, Peter Ueberroth, president of the Los Angeles Olympic Organizing Committee, said Sunday: "We have more nations competing than ever before. China is here for the first time with many great athletes, maybe one of the reasons the Russians boycotted."

Speaking on a television program, he also commented on a recent number of world records in Eastern Europe. "I'm a little dubious when, behind the Iron Curtain, some new record pops up so close to the games," he said.

On his plea for the Soviet Union to reconsider, he said, "When they talked about a boycott, we tried to answer their questions and see if there was genuine concern. When they kept their rhetoric up, we told them to go to hell."

He said the total budget for the games is in the "\$300 million range," with security the largest item. He compared that to other Olympics, saying that "Montreal is still \$1 billion in debt, the Soviets

spent \$9 billion in 1980 and South Korea is already up in the billions" for 1988.

Athletes from 150 countries are now gathering in Los Angeles for the opening of the games on Saturday. (LAT, WP)



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## Taiwan Takes U.S. Role In Assisting Guatemala

By John Burnett  
United Press International

GUATEMALA CITY — Taiwan has quietly stepped in during the seven-year U.S. cutoff of military aid to Guatemala to become one of the Central American country's closest allies.

"Taiwan is not abandoning us as the Americans did," a Guatemalan Army official said.

The Guatemalan government rejected U.S. military assistance in 1977 rather than undergo State Department scrutiny into alleged human rights abuses. Congress formally cut off aid in 1978.

Diplomatic sources in Guatemala said they believed Taiwan was being used as a U.S. proxy. The same sources, they said, were raised when Israel sold arms to Guatemala.

A U.S. Embassy spokesman, refusing to comment on the allegations, would only say: "It is an issue between the governments of Guatemala and Taiwan."

The Taiwanese ambassador, who insisted that the United States was not involved, said that his country was "interested in Guatemala because it is anti-communist and a friendly country."

Taiwan has provided Guatemala with a broad package of agricultural aid and military advice in the struggle against a Marxist guerrilla insurgency that was largely defeated in the early 1980s.

"We believe in helping those who want to resist communism and want to raise up their people," said I-Cheng Loh, Taiwan's ambassador to Guatemala.

Taiwanese farm experts are helping the Guatemalan Army's civil action program by showing Indians displaced by the war how to use their small parcels of land more productively. The Indians are being relocated in "model villages."

Guatemalan Army officers have attended Taiwan's political warfare school and, according to sources at the Guatemala City air base, 12 Taiwan mechanics are installing helicopter spare parts worth \$2 mil-

lion that were recently purchased from the United States.

The parts are for U.S.-made UH-1H helicopters that are used by Guatemalan forces in battling leftist guerrillas. However, the \$6.4-million contract, which includes other "holistic" military equipment and was approved by Congress in January 1983, did not make provisions for U.S. mechanics to install the parts.

Guatemala is considered one of the most loyal of the 25 countries that still have diplomatic relations with Taiwan, which was expelled from the United Nations in 1971 when Beijing was admitted. The United States broke off full diplomatic relations with Taiwan on Jan. 1, 1979.

The extent of the close relationship was acknowledged in April when a Taiwanese military delegation visited Guatemala. Guatemala's chief of state, General Oscar Humberto Mejia Victores, bestowed the nation's highest award, the Order of the Quetzal, on the Taiwanese Army's chief of staff, Captain General Pei-Tsun Han.

The Guatemalan Army chief of staff, General Lobo Zamora, went to Taiwan in May for the inauguration of President Chiang Ching-kuo's second term.

Taiwan's 30-year-old psychological warfare school offers special eight-week courses, conducted in Spanish, for officers from Latin American armies. Since the late 1970s, when training in the United States was interrupted, between 30 and 40 Guatemalan officers have attended the Taipei school.

Colonel Edgar Dominguez, an army spokesman, said Guatemala readily embraced Taiwan's idea of "elevating the population" as a means to combat Marxist guerrillas.

With no prospect of an early renewal of U.S. aid, despite the successful Constituent Assembly elections July 1 that put the nation on the road back to civilian rule, Guatemala is expected to further strengthen its ties with Taiwan.

## U.S. Senator Defends Oil Line Aid, Wife's Fee

By Howard Kurtz  
Washington Post Service

WASHINGTON — Senator Mark O. Hatfield, Republican of Oregon, helped a Greek financier try to win U.S. government support for a proposed trans-African oil pipeline in 1982 and 1983 while the man was paying the senator's wife, Antoinette, \$40,000 in real estate fees.

Mr. Hatfield's role in aiding an Athens entrepreneur, Basil Tsakos, with the proposed \$15-billion, 2,200-mile pipeline was detailed Monday in a column by Jack Anderson.

In Portland, Oregon, Mr. Hatfield confirmed that he had held arrange meetings for Mr. Tsakos with the U.S. energy secretary, Donald P. Hodel, and Howard Knuffmann, the president of Exxon. Mr. Hatfield said he also had discussed the project with Defense Secretary Caspar W. Weinberger and with President Gaafar Nimeiri of Sudan, which is along the pipeline route.

Mr. Hatfield said there had been no connection between his wife's real estate work for Mr. Tsakos and his support of the pipeline.

Mr. Hatfield said he had long been concerned that the United States was vulnerable to supply cutoffs in the Middle East. The pipeline would allow Saudi Arabia to ship oil across Africa to an Atlantic port.

"That was my one and only interest in this," said Mr. Hatfield, who heads the Senate Appropriations Committee.

Mr. Hatfield said that in early 1982, Mr. Tsakos's wife asked Mrs. Hatfield, a licensed real estate broker in Washington, for help in finding an apartment. Mr. Hatfield said the \$40,000 paid to his wife includ-

ed a commission and finder's fee for locating an apartment at the Watergate complex, consulting fees for supervising its renovation and additional fees for trying to find investment properties.

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## U.S. Film on Surviving Atomic War Readied in Case of Threatened Attack

The Associated Press

WASHINGTON — A 25-minute film readied for national broadcast in case of an imminent threat of atomic war would caution Americans that "the greatest danger is hopelessness, the fear that nuclear attack would mean the end of our world."

If such an attack took place, radio messages recorded by the government would urge survivors to try to contact their families and employers by filling out "Safety Notification" and "Emergency Change of Address" cards at post offices still in operation.

The Federal Emergency Management Agency's animated film, "Protection in the Nuclear Age," is intended to be shown on television stations across the United States if there is a threat of imminent attack. It stars a family of cartoon-type stick figures that calmly pack up their car, leave town and drive to an emergency "relocation center."

Describing fallout shelters, evacuation of high-risk urban areas and other emergency measures, the film asserts that "destructive as such an attack might be, we can survive. It would not mean the end of the world, the end of our nation."

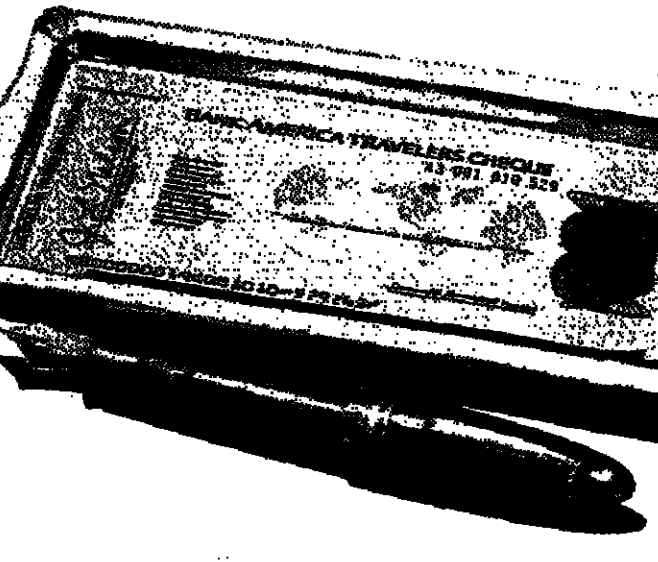
The film is among contingency plans presented in a new book, "The Day After World War III," that has refocused attention on civil defense programs of the Federal Emergency Management Agency.

The author, Edward Zuckerman, said he does not agree with critics who contend that all-civil defense efforts would prove useless. The Federal Emergency Management Agency's plans for evacuation of cities and other emergency measures, he said, "would definitely save some lives in a nuclear war. Maybe not a lot. We don't know."

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## 'College' Monitors Religious Repression

By Kenneth A. Briggs  
New York Times Service  
KESTON, England — When major Western news agencies reported two weeks ago that Andrei D. Sakharov, the Soviet dissident, was being injected with drugs in a Soviet psychiatric hospital, the source of the unofficial information was an organization here that monitors abuses of religious rights in Communist countries.

The center is Keston College, which was founded by an Anglican priest, the Reverend Michael Bourdeaux, to study and report accounts of religious persecution in those countries.

Strictly speaking, the center's work would not ordinarily include reporting on the plight of Mr. Sakharov, a nonbeliever, but the report indicated how its extensive network overlaps with other human rights information channels.

The center publishes a journal, called Religion in Communist Lands, a newsletter and the Keston

News Service. It can send bulletins over telex equipment in the case of emergency news such as that on Mr. Sakharov.

Father Bourdeaux, 50, who studied in the Soviet Union and has made frequent trips there, says repression of religious believers has risen sharply in recent years after a period of some easing.

"It is tragic," he said. "Hundreds of thousands, perhaps millions, have been persecuted just when we believed things might get better."

He said the crackdown began in 1977. He attributed it to fear that the endorsement of religious liberty in the Helsinki accords on human rights, signed in 1975, would cause unrest.

Father Bourdeaux says the attacks have been directed against a variety of religious Christians and Jews. He says he believes that many of the abuses have been largely ignored by churches and news organizations in the West.

The college has files on 307 be-

lievers now in prison. Mr. Sakharov has estimated that there are 10,000 "prisoners of conscience," a fifth of them held because of their religion.

Although the work of the center has been relatively little known over the last 15 years, its detailed records have recently gained it admirers and public attention. Last spring Prince Philip awarded Father Bourdeaux the Templeton Prize for progress in religion.

The center, housed in a small yellow-brick building, is a college in the sense that scholars and staff members work collegially, but it otherwise bears no resemblance to an academic institution offering courses and degrees.

As the staff has grown to 22, the center has become cramped. The building includes archives on dissenters, editorial offices for producing the reports and publications, a 10,000-volume library and a crowded research department where experts study hand-written letters, underground documents

and official church publications. Father Bourdeaux, who left the parish priesthood in 1964 to undertake this project without any financial support, says the center aims to provide objective reporting without ideological shadings. Critics have accused the center of a rightist political bias, but Father Bourdeaux says it is "fiercely independent."

"In so far as I think about communism as a system," he said, "it is only as I hear about it from those who have suffered a denial of their religious rights." He said he felt "very uneasy" with the religious right in the United States and has received no support from that quarter.

Father Bourdeaux is sharply critical of the World Council of Churches and the top ranks of the Russian Orthodox Church for what he sees as their neglect of the religious rights issue.

He also said he believed the World Council had played down violations in an effort to appease



Michael Bourdeaux

the leadership of the Orthodox Church, which belongs to the council. He said the council had tried to paint a rosy picture of religious liberty in the Soviet Union than the facts allow.

## New Government Tests Communist Support in French Confidence Vote

By Jeffrey Ulbrich  
Associated Press

PARIS — Prime Minister Laurent Fabius goes before parliament Tuesday with his new government's general declaration of policy. He is assured of winning a vote of confidence even though the Communists have withdrawn from the government.

The governing Socialists have an absolute majority in the National Assembly and will have no problem winning the vote of confidence. The Communists will be watched to see if, through out of the government, they continue to support the policies they have criticized for the past year.

The French political scene has been in turmoil for weeks. The Socialists and Communists suffered a severe setback in the European elections June 17, and there was a huge demonstration June 24 against a bill affecting private schools.

President François Mitterrand, in a surprise announcement July 12, said he was proposing a change in the constitution to allow wider subject areas for referendums.

If accepted by the Senate and National Assembly, the measure to change the constitution would be submitted to a national referendum.

Mr. Mitterrand also withdrew the school bill for revision.

Then, last Tuesday, the government of Pierre Mauroy resigned, and Mr. Mitterrand appointed Mr. Fabius. Soon afterward, the Communists, who had held four cabinet posts since the left came to power in May 1981, announced they would no longer participate in the government.

Mr. Fabius has said he will continue the policies established under Mr. Mauroy, specifically the economic austerity program and the planned restructuring of industry. The Communists have criticized the government on both issues, saying they will lead to losses in individual purchasing power and to higher unemployment.

On Sunday, the opposition responded. Jacques Chirac, leader of the neo-Gaullist Rally for the Republic party, told the party's central committee: "There is no other solution to the present crisis than the dissolution of the National Assembly so that the people can clearly say how they want to be governed."

Despite the fact that the opposition has been calling for referendums, specifically on the school issue, Mr. Chirac said he opposed Mr. Mitterrand's measure, calling it ambiguous.

He also criticized the president for refusing to link his own political future to the outcome of the measure to change the constitution, or to promise that the school issue be put before the electorate.

Legally, the constitutional change on referendums must be passed in identical terms by both the National Assembly and the opposition-controlled Senate. This gives the largely powerless Senate, and the opposition, a chance to exert themselves by blocking the bill.

The term of the National Assembly expires in June 1986, and it is

unlikely the president will choose to dissolve it before then. Mr. Mitterrand's seven-year term runs until 1988.

Responding to Mr. Chirac's call for new elections, the government spokesman, Roland Dumas, said: "Let him know right now that there will be no dissolution as long as the government of France has the support of a solid majority in the assembly."

Meanwhile, Mr. Fabius completed his cabinet appointments Monday. The new government is made up of 16 full ministers, 6 subministers and 20 secretaries of state.

Of the 42 members of the old government, 34 returned, some in new posts.

Among those leaving are Jacques Delors, the former finance minister who has been named president of the European Community Executive Commission, and Alain Savary, the former education minister who authored the bill proposing changes for the private schools.

## Arm in Hand 2 Dances Adm Saving Mern

The Associated Press

COPENHAGEN — A year-olds have survived police, ending the myth who had saved off the arm of the Little Mermaid statue Monday.

The two admitted to off the bronze statue's arm a hacksaw as a drunken early Sunday morning. A spokesman said they charged with vandalizing property; they were pending trial.

"They said that, after ing up, they realized it many companions knew it that they didn't have chance," the officer said. "The officer said came to the police station one arm, two hangers and lots of apologies."

The statue has been a stone at the mouth of Copenhagen harbor since 1913. In the head of the statue was off. It was never found new head was made.

## Diplomats Warn of Soviet Retaliation After Truck Incident

Compiled by Our Staff From Dispatches

MOSCOW — Some Western diplomats said Monday they feared the Soviet Union might retaliate against West Germany's detention of a Soviet truck by tightening Soviet rules on diplomatic transports. Moscow had claimed diplomatic immunity from inspection for the truck.

The diplomats told Reuters that they had not seen any Soviet reaction to the confrontation over the truck, but many predicted Moscow might feel it had been victimized and respond by delaying supplies to missions from NATO countries.

"The whole affair has been a humiliation for the Soviet Union and that is not something the Russians usually take lightly," a West European diplomat said.

He said that Moscow could "make life difficult" for NATO countries by holding up transports

at the frontier or might go even further by redefining its own rules as diplomatic baggage.

The dispute started when Swiss authorities ordered the truck to leave the country without unloading after the Soviet Union refused to allow a customs check of the sealed trailer under a claim of diplomatic immunity from inspection.

As the truck was returning to the Soviet Union via West Germany, Bonn also insisted on the right to see the cargo before it crossed into East Germany.

The 10-day dispute was resolved Sunday when the Soviet Union allowed West German customs officials to enter the truck on the grounds of the Soviet Embassy in Bonn and count the number of parcels in the cargo.

The truck left West Germany early Monday afternoon via the

Helmstedt border crossing to East Germany.

In Bonn, a West German government spokesman, Peter Boenisch, said Monday that the visual inspection of the cargo satisfied Bonn that the provisions of the Vienna accord on diplomatic shipments had been met.

He said that a similar diplomatic incident had occurred in 1980 when a West German diplomatic truck was detained in the Soviet Union.

"We wanted to declare an entire truck diplomatic material and the Soviet rejected this," Mr. Boenisch said at a news conference. "And then we agreed on the entire practice that is now in effect."

2 E. Germans Flee Czechoslovakia

The Associated Press

MUNICH — Pursued by border guards, a 16-year-old schoolgirl and her 24-year-old boyfriend, both from East Germany, safely fled across the Czechoslovakian border into West Germany early Monday, the authorities said.

West German police said the pair set off alarms as they entered the frontier zone, alerting Czech border guards. No shots were fired.

The couple told West German authorities they fled because of family problems and for economic reasons. The West German authorities do not release names of refugees from the East bloc.

Mr. Boenisch said the only deviation from that practice was Moscow's failure to provide a formal list of the privileged diplomatic parcels.

■ Diplomats Suffer

Dana Priest of The Washington Post reported earlier from Washington:

As relations between the United States and the Soviet Union have deteriorated in recent years, one way Washington and Moscow have responded has been to step up Cold War-style efforts to make life difficult for each others' diplomats.

The Reagan administration has tightened up an unofficial policy, begun during the Carter years, of retaliation against Soviet diplomats here for expulsions and harassment of Soviet-based Americans. Additionally, under a 1982 law, Congress now officially obligates the executive branch to allow foreign diplomats in the United States no more privileges in such areas as phone service and property rights than those afforded U.S. personnel in overseas posts.

For Moscow's part, harassment seems to wax and wane according to KGB domestic worries and the intensity of U.S. anti-Soviet propaganda campaigns. Most recently, such Soviet retaliation has been directed at domestic dissidents and U.S. attempts to establish contacts with them, according to a U.S. official involved in Soviet affairs.

"When the big picture starts to fall apart you begin to talk about the nuts and bolts," the official said. "In the age of détente, there was a tendency to say these ques-

tions aren't so important as long as you have larger agreements. Now, the big agreements aren't there, so you concentrate on the little issues."

"There's no definite pattern, but more incidences do occur when relations are bad," he said.

According to an informal study by the State Department, 139 Soviet citizens were expelled from countries in 1983 — including 5 from the United States — up from 49 in 1982 and 27 in 1981. Twenty have been expelled so far this year.

According to press accounts, the three U.S. diplomats expelled separately on charges of espionage from the Soviet Union in 1983 were the first to be expelled there since 1978.

When a U.S. diplomat in the Soviet Union is harassed, there is often a KGB hand in the matter, U.S. officials said. When a Russian is harassed in the United States, they said, the perpetrator is most likely a disgruntled citizen or local police agency over which the federal government has little control.

"We do not have any legal way of harassing the Soviets," said a State Department official.

U.S. public displeasure at Soviet actions has often translated into additional problems for Soviet diplomats, at times galvanizing into violent assaults.

To the Soviet Union, the distinction between public and private harassment is dubious, and Soviet diplomats in Washington say they are on their guard in public places.

"It's a serious job and a serious life for us here," said a Soviet diplomat. He said he was happy that he now lived the protected, embassy compound. "Before, I could never leave my kids alone," he said. "I have no worries about them now."

They are forever saying we're 'convinced,' he said. State Department officials said there always has been a high level of harassment against Americans in the Soviet Union. Threats against the embassy, however, have been rare and usually have involved despondent would-be emigrants.

The major factor contributing to harassment in the Soviet Union is concern about domestic security, said Robie Palmer, deputy assistant secretary of state for European and Canadian affairs, the bureau in charge of the Soviet desk at the State Department.

"In the Soviet Union, it's more what the KGB worries about on any one day," than any broad, coordinated policy, he said.

## Peru to Buy 26 Mirage Jets

United Press International

LIMA — Peru will go ahead with a \$600-million purchase of 26 French Mirage fighter planes, scheduled to be delivered in January, according to the aeronautics minister, Lieutenant General José Zlatar.

## UN Food Official Warns Africa About Birth Rate

Reuters

HARARE, Zimbabwe — The head of the United Nations Food and Agriculture Organization warned African countries Monday that they were heading for disaster because of high birth rates combined with a failure to produce enough food.

Addressing the organization's biennial regional conference for Africa, Director-General Edouard Saouma said Africa has failed to cope with the problem of feeding its people. He said population growth was the main factor.

"I fear that many African nations, if they do not take action to encourage a drop in fertility rates, are speeding headlong to disaster," he said.

The conference is attended by agriculture ministers from about 30 African countries and food experts from more than 20 other nations.

Mr. Saouma devoted a large part of his address to population growth and said a unique feature of the African continent was the absence of a significant decline in the birth rate.

"The result is the highest population increase in the world, indeed, a rate that seems to be still accelerating," he said.

Mr. Saouma said the population growth of 4 percent yearly in some African countries was explosive.

"How can a nation's farmers be expected to increase their output at a sustained rhythm of 4 percent per annum to feed the new mouths," he said, adding that in the difficult conditions of African farming, even a growth rate of 3 percent was likely to surpass the potential for agricultural development.

He said 45 percent of his organization's activities were directed toward Africa, "more than triple the effort that would be justified in terms of population alone."

The population of Africa is estimated at 500 million. Mr. Saouma said a litany of woes afflict African agriculture, including drought and other natural disasters, foreign debt, monetary instability, internal hostilities and a hostile global climate.

"The storm of recession has per-

## Israel Says Bodies Sent by Syria Were Not Sold

The Associated Press

TEL AVIV — Three bodies handed over by Syria during a cease-fire exchange last week were not Israeli soldiers, the army command said Monday. Syria released six Israeli soldiers and captured 20 Syrian soldiers and 20 Syrian citizens.

An Israeli Army spokesman said the bodies were not the remains of an Israeli soldier, as reported by the Israeli press. He said the bodies "did not go to Israel" and that the identities were unknown.

Lieutenant Lipschitz, a member of a tank crew, and Captain Lipshitz, a navigator in a combat plane killed during the 1982 Israeli invasion of Lebanon.

## Berlin Police Hold Ex-B

Reuters

BERLIN — A former East German middleweight boxing champion, Gustav Scholz, was being held Monday by police in West Berlin after his wife was found dead at home, a police spokesman said.

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# ARTS / LEISURE

## Paris Showings Open With Long, Lean, Colorful Silhouette



Joe Lee Wilson: "I can take a hint. Ha!"

### Joe Lee Wilson Sings of the Joy of Jazz

By Michael Zwerin  
International Herald Tribune

PARIS—After singing in the Far East, the Middle East, North and Central America, Western and Eastern Europe and Africa (including five tours sponsored by the United States Information Service), Joe Lee Wilson has lots of stories.

When he was growing up in Bristow, Oklahoma, everybody kept saying, "Go on and sing, child." He cannot remember not singing. The voices of Eddie Jefferson and King Pleasure influenced him to be a jazz singer, but his aunt disapproved: "That's dope addict music." Which reminds him of a Turkey story.

There was a midnight curfew. He would either have to finish at 11 or the audience could sleep on the floor. Wilson decided on the latter, allowing for plenty of story-telling time. He has a good bandstand rap. The marquee read "Jam Session, Joe Lee Wilson, Joy of Jazz," which misleadingly implied three acts, and he began by a clarification.

"I told them that 'Joy of Jazz' is the name of my band and in order to explain what jam session meant I talked about how jazz evolved from gospel and the blues and that it was once associated with prostitution and drugs but now it has been cleaned up because a lot of guys who were strung out quit cold turkey. Ha!" A recurring Wilson punctuation. "A security officer complained to the promoter that I said the Turks were cold people. The promoter was right on top of it. He said 'No, he's going to sing a song about a cold turkey, the kind you eat.' The officer answered: 'The next time he sings that song, tell him to say cold duck.'"

There is the usual gleam in his eye. The story has reminded him of another story. There's no room here for all the stories but let's find out more about the teller.

He studied voice, piano and composition at the Los Angeles Conservatory of Music and then worked and recorded with people like Sonny Rollins, Lee Morgan, Freddie Hubbard, Milt Jackson, Miles Davis and Archie Shepp who do not usually work with singers. When he formed Joy of Jazz in 1977, Stanley Crouch, in The New York Times, called him "a great singer in a time when disco music reigns and the mature voice seems to have fallen into popular decline."

Visiting the homeland of his English bride that same year, he fell in love with Brighton, and they bought a

house they still call home: "The water's good in Brighton. You don't need mineral water. I have what they call an allotment, a piece of land to grow vegetables. I take care of my garden."

His entire body gleams with the joy of jazz when he performs. The exuberance infects audiences that might otherwise be unmoved by jazz. But at the age of 48, this "great singer" with a "crystal-clear voice" (Cue magazine) and what has been called "regal command" and "infectious charm" is not exactly a household word.

The explanation involves the nature of the music business as well as his character: "I hate to say this, but I think most record companies look for artists who aren't too brainy; they sign people they can control. Columbia Records offered me a contract I could not accept in 1968. They said that Robert Goulet signed one just like it; it's a standard contract. I said 'I'm not a standard singer, how can I sign a standard contract?'"

"Finally I signed a good one, I recorded two albums but I got caught in some executive infighting and I hired an attorney. We bickered for six months. Believe it or not I got all my tapes back. Ha!" He smiled proudly. "I would imagine that not too many people have been awarded ownership of their tapes from Columbia Records."

Is he perhaps thought of as a troublemaker? Has this hurt his career? He stroked his beard as though never having considered the possibility: "I don't think so. They were just going to sit on those tapes anyway. People always tell me there's no such thing as bad publicity. I know guys who can't play at all and they always make trouble and journalists are always writing them up."

Splitting his time between a house in Brighton, a Paris apartment on the Ile St. Louis and working two or three months each year in the United States, he figures he hasn't done all that badly. He has no agency, no producer and no record contract but he is his own boss and business is good.

He grew up helping to raise cotton and peanuts on the farm his parents owned. He is used to managing himself.

Some Yugoslav musicians he performed with recently are trying to put together a tour of the Soviet Union. "They invited me to go with them. They say Russia is really hurting for jazz, and they figure we can play there, make our rubles, change them to dinars and hopefully I can change my dinars into dollars. It's a dodgy situation."

Another dodgy situation; one last story: After singing Billie Holiday's "God Bless the Child" in a Moslem country, a local journalist told him he considered singing about the Christ child for a Moslem audience in bad taste.

"But this is about any child," Wilson explained: "Your child, my child." The next day the interview was headed: "Joe Lee Wilson sings for children." He decided to drop the song. "I can take a hint. Ha!"

Joe Lee Wilson, "Joy of Jazz": Algiers, July 27-29; Paris (Club Trois Maillets), Aug. 1-14; Birmingham, England, Aug. 17; Cardiff, Wales, Aug. 18-19.

International Herald Tribune

PARIS—Paris couture is a vision, better still, a mirage. For photographer Richard Avedon, in town for American Vogue, it is also culture shock. "I just got back from Montana, where I was working on a book about the working classes in the Middle West," he said. "Plus the jet lag. I don't know where I am."

It looks as if Paris designers, who are showing their fall and winter

### HEBE DORSEY

lines this week, are now treating couture for what it is, a glittering marketing vehicle that has more to do with the houses' images than with fashion itself. The image is drowned in total luxury, and to heck with the expense.

At Jean-Louis Scherrer's, where the collection was all sable, velvet and embroideries, a close collaborator of the designer could not give a price.

"Even Jean-Louis doesn't know how much it cost," he said. Scherrer said the magnificence was needed to make a big impression before a big show he is doing in Tokyo next fall.

One thing is sure: Couture must be alive and well, judging from all the para-fashion activities going on in Paris this week. Both Givenchy and Hermès are having dinner par-

ties to launch a new perfume: Guy Laroche is taking over the whole Club 78 to introduce a new collaborator, Dreda Mele.

Chanel, which is also introducing a new perfume called "Coco," really went to town with both a luncheon and a dinner on Monday. The first one was held in the gardens of the Palais Royal, in tents simulating the interior of the

Grand Velour restaurant. With

limousines for everyone, five magnificent buffets and champagne flowing like water, the operation must have cost a mint. On Monday night, Chanel took over the Opéra for an encore—the collection, this time, followed by supper.

So far, the new silhouette is long, lean and colorful. With hemlines dropped to the calf, the result is

distinctly elegant but not exactly young.

The influence of Claude Montana is rampant, with uneven results. Purple and brown are the two dominant colors. Coats are everywhere and the little black, draped dress—a very Parisian number—is center stage again. There are fewer pants than in the androgynous ready-to-wear collections. More

and more, Paris couturiers are concentrating on evening wear, which is their real beat, instead of daytime clothes.

At Cardin's, the collection, while very Cardin with his usual interplay of geometric volumes, was less gimmicky than usual, more clean and refined. Long coats over long dresses were worn with flat heels and crazy accessories, such as red, shaggy punk wigs or tall, spiky, 18th-century deities' hats. Coats were broadened by wide shoulders and puffed sleeves, decorated with wheel-like patterns.

The front row fans, which included Claude Pompidou, Jacqueline Delubac and Beatrice Patino, loved Cardin's evening dresses, which are designed by his partner and friend, André Oliver. Many were one-shouldered, cut very closely to the figure and finished with a big, caped sleeve. The black draped ones, with sexy, shirred backs, and the draped sequined sweaters over draped skirts, were particularly pretty. But the mutton chop frills got a bit out of hand, especially in his red bridal gown, which was a mass of red ruffles.

Scherrer, who used to be quite uptight and Establishment — he

dressed Anne-Aymone Giscard d'Estaing when she was France's first lady — has now lost most of his inhibitions.

With a faithful clientele of Arab princesses and rich Americans, Scherrer knows he can let go. His collection, which is pure fantasy, keeps hovering from the Ballets Russes to the misty mornings of costumed balls in Venice.

The sportive woman is nowhere around at Scherrer's. His woman gets up at noon and jumps right into black velvet coats, topped with fox boas dragging to the floor. She wears enormous black velvet cart-wheel hats, massive diamond jewelry and shimmering paisley silks or gold lame dresses.

At Dior's, the photographers were busier shooting Princess Caroline of Monaco and her husband, Stefano Casiraghi, than the clothes. In a collection designed with the princess in mind, Marc Bohan, this house's designer, put the accent on pants with short jackets as well as high-waisted lean dresses under big coats. Color was Bohan's major message, as well as the blouson, which seems to have a hard time dying here.



Evening gowns by Pierre Cardin (left) and Jean-Louis Scherrer.

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with the Fercos and sumptuous Girls  
**DINNER SHOW**  
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8 P.M. Dinner and show 200 F  
10 P.M. and midnight on Saturday champagne and show 275 F

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**Chloé**

3, RUE DE GRIBEAUVAL (7<sup>e</sup>) BAC-ST-GERMAIN

### Recreation Center to Be Near Ming Tombs

The Associated Press

TOKYO—China's first large-scale recreation center, complete with hotel, golf course, swimming pool, tennis courts and a ranch, will be built near the tombs of the Ming emperors outside Beijing. The city of Beijing will pay 51 percent of the initial investment of 1 million yuan (\$434,000) for the Chinese-Japanese venture, and Japan's Sanwa Bank, United Capitals Co. and Asahi Trading Co. will supply 49 percent. A spokesman for Sanwa said the golf course and hotel, to be constructed at a cost of about \$20 million, will be opened by 1987. The rest will be completed by 1994.



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NYSE Most Actives									
Symbol	Price	Change	Symbol	Price	Change	Symbol	Price	Change	Symbol
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM

Dow Jones Averages									
Index	Open	High	Low	Close	Chg	Index	Open	High	Low
Indus	2824.50	2828.00	2820.00	2824.50	-1.00	Comp	100.00	100.00	100.00
Transp	427.00	427.00	427.00	427.00	0.00	Fin	100.00	100.00	100.00
Comp	225.00	225.00	225.00	225.00	0.00	Unemp	100.00	100.00	100.00

NYSE Index									
Index	Open	High	Low	Close	Chg	Index	Open	High	Low
Indus	2824.50	2828.00	2820.00	2824.50	-1.00	Comp	100.00	100.00	100.00
Transp	427.00	427.00	427.00	427.00	0.00	Fin	100.00	100.00	100.00
Comp	225.00	225.00	225.00	225.00	0.00	Unemp	100.00	100.00	100.00

AMX Most Actives									
Symbol	Price	Change	Symbol	Price	Change	Symbol	Price	Change	Symbol
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM

NYSE Diaries									
Index	Open	High	Low	Close	Chg	Index	Open	High	Low
Indus	2824.50	2828.00	2820.00	2824.50	-1.00	Comp	100.00	100.00	100.00
Transp	427.00	427.00	427.00	427.00	0.00	Fin	100.00	100.00	100.00
Comp	225.00	225.00	225.00	225.00	0.00	Unemp	100.00	100.00	100.00

NASDAQ Index									
Index	Open	High	Low	Close	Chg	Index	Open	High	Low
Indus	2824.50	2828.00	2820.00	2824.50	-1.00	Comp	100.00	100.00	100.00
Transp	427.00	427.00	427.00	427.00	0.00	Fin	100.00	100.00	100.00
Comp	225.00	225.00	225.00	225.00	0.00	Unemp	100.00	100.00	100.00

AMX Stock Index									
Index	Open	High	Low	Close	Chg	Index	Open	High	Low
Indus	2824.50	2828.00	2820.00	2824.50	-1.00	Comp	100.00	100.00	100.00
Transp	427.00	427.00	427.00	427.00	0.00	Fin	100.00	100.00	100.00
Comp	225.00	225.00	225.00	225.00	0.00	Unemp	100.00	100.00	100.00

NYSE Most Actives									
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IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM

### At 3 P.M.: Trading Is Light

NEW YORK — Although blue-chip issues were trying to rebound, the overall stock market was broadly lower in light trading late Monday afternoon on a government report of surprisingly strong second-quarter economic growth.

The Dow Jones industrial average, down 13 points at midsession, was off 5.63 points to 1,095.74 an hour before the close. It still is not far from its 1984 closing low of 1,086.90 set June 15. The Dow shed 1.55 Friday and 8.50 overall last week.

Declines led advances 1,300-342 among the 1,906 issues traded.

The five-hour turnover amounted to about 58.4 million shares compared with 63.8 million traded in the corresponding period Friday.

Analysts said blue-chip issues that held up better than the rest of the market in recent weeks were in the spotlight again along with mining issues that were hurt by drops in gold and silver.

Observers said the market was eroding at a tortuous pace rather than selling off in dramatic preparatory to a possible turnaround. There was some bargain hunting.

A steep selloff erupted at the outset following the government's report that the second-quarter gross national product rose at a 7.5-percent annual rate, up from a preliminary 5.7-percent projection last month. This followed a blistering 10.1-percent rate in the first quarter.

At the same time, the "GNP price deflator" that measures prices for business and consumers climbed at a rate of only 3.2 percent in the second quarter, less than the 4.4 percent at the beginning of 1984.

Bond prices dropped in light trading at the outset following the GNP news but "they stabilized at a lower level," said William Sullivan of Dean Witter Reynolds.

The GNP figures disturbed investors because they indicate the economy is so strong the Federal Reserve will have to keep a tight rein on credit to keep inflation from rekindling.

The Fed jolted investors Friday when it drained funds from the banking system. Experts said the action was related to heavy borrowing by troubled Continental Illinois Bank.

"The selling is not heavy but it is steady," said Marvin Katz of Sanford C. Bernstein & Co. "All of this is coming off the GNP figures. Professional traders sold back into the market when they saw an early rally attempt falter."

AT&T, up 1 1/4 last week on strong second-quarter earnings, was one of the most active NYSE-listed issues.

Chrysler was lower in active trading along with General Motors and Ford. The UAW and GM began contract negotiations Monday.

ITT Corp., recommended by Salomon Brothers, was active and higher at one point. The stock was clobbered two weeks ago after ITT announced plans to slash its dividend.

IBM was lower in active trading at midday. The European Community postponed announcement of its findings in a four-year antitrust suit against IBM.

Union Carbide was lower at the outset on second-quarter earnings of \$1.80 a share against 87 cents a year ago.

Indiana Standard was lower. The company posted second-quarter earnings of \$1.81 a share against \$1.46 a year ago.

NYSE Most Actives									
Symbol	Price	Change	Symbol	Price	Change	Symbol	Price	Change	Symbol
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM

NYSE Index									
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IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM

#### NOTICE OF REDEMPTION

##### EUROPEAN COAL AND STEEL COMMUNITY (ECSC)

##### US \$ 25,000,000 8% 1977/86

The Commission of the European Communities informs herewith the bearers of bonds that a selection by lot for a principal amount of US \$ 240,000 has been made for redemption in the presence of a Notary Public on July 12, 1984 at the Luxembourg branch of the Société Générale Alsacienne de Banque.

Number of bonds selected by lot:

2398 to 2407	2586 to 2597	2599	3172 to 3173	3184	3215 to 322
3311 to 3315	3317 to 3372	3374 to 3399	3450 to 3464	3504 to 3509	4598 to 460
5101 to 5200	5301				

Principal amount unamortized after 1st September 1984: US \$ 4,000,000.

From 1st September 1984 the bonds selected by lot will no longer bear interest.

The Bonds presented for reimbursement should be accompanied by coupons of 1st September 1985 and following and will be payable in accordance with the terms and conditions shown on the bonds.

NYSE Most Actives									
Symbol	Price	Change	Symbol	Price	Change	Symbol	Price	Change	Symbol
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
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NYSE Index									
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IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM
IBM	157 1/2	+	IBM	157 1/2	+	IBM	157 1/2	+	IBM

NASDAQ Index									
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### U.S. Agency Finds It Underreported Economy by 3%

By Edward Cowan  
New York Times Service

WASHINGTON — In a backward glance meant to take fuller account of tax evasion, of the books employment and other things missing from the usual statistics, the Commerce Department has concluded that the American economy in 1977 was 3 percent bigger than it is reckoned.

Most of the additional \$58.2 billion in economic activity, the department said, was accounted for by \$47.6 billion of "improved" adjustments for misreporting on tax returns, small proprietors, and by estimates for people who filed no tax returns. "Most misreporting, clearly stems from the desire of the taxpayer to evade taxes," says Robert P. Parker, director of the department's national income and wealth division.

The 3-percent revision for 1977 means, according to a division economist, Gerald F. Dor, that the country's total output of goods and services in each year since 1977 probably has been 3 percent greater than officially reported. And possibly, he said, unemployment was shade lower.

Mr. Donahoe described the revised estimate for the 1977 gross national product, the sum of all economic activity in the country, in the May issue of the department's Survey of Current Business, published on July 2. The new figure is \$1,977 billion, up \$58.2 billion from the old figure.

However, the wheels grind slowly at the Commerce Department and the estimates for post 1977 years — including new data for 1981, 1982 and 1983, due out Monday — will not be revised to take account of the new 1977 benchmark until the end of 1985, Mr. Parker said.

The analysts, poring over Internal Revenue Service and Census Bureau figures, also found that the earlier estimate of personal savings in 1977 was low. The analysts now reckon that Americans saved 6.7 percent instead of 5.5 percent of their after-tax income. That revision, too, probably points to higher savings rates for later years than have been recorded, although not enough of an increase to silence the arguments of those who contend that Americans save too little in comparison with other nations.

The May issue of the survey has a separate article on estimating the size of the "underground economy," or unreported transactions believed to be missed by the regular federal monthly estimates of sales, income and employment. The issue also contains the department's input-output and for 1977, nares of transac-

#### CURRENCY RATES

Currency	Rate
British Pound	1.60
French Franc	6.55
German Mark	3.36
Italian Lira	2036
Japanese Yen	163.6
Swiss Franc	2.00

#### INTEREST RATES

Instrument	Rate
3-Month T-Bill	11.00%
6-Month T-Bill	11.50%
1-Year T-Bill	12.00%
3-Month Bond	13.00%
6-Month Bond	13.50%
1-Year Bond	14.00%

#### GOLD PRICES

Gold Price	Rate
Gold Bar	340.00
Gold Coin	340.00
Gold Bullion	340.00



# Herald Tribune

## BUSINESS/FINANCE

U.S. Stocks  
Report, Page 8

TUESDAY, JULY 24, 1984

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### FUTURES AND OPTIONS

## With Slow Times, Brokers Ponder Leveraged Contracts

By H.J. MAIDENBERG  
International Herald Tribune

**N**EW YORK — Until recently, most futures and options brokers would have laughed at leveraged contracts, much less offered them to clients. They would have pointed out that most dealers who sold these contracts in recent years vanished, or they went broke — along with many customers.

But these are hard times for many brokers, despite the continuing rise in trading volume. In fact, the 14-percent increase in volume this year and the 9-percent gain in June alone can be traced to only a few financial and stock index options and futures. And much of this business is handled by discount brokers.

Given this situation, brokers are not so aloof about leveraged contracts any more. Indeed, many lobbied Congress to have the Commodity Futures Trading Commission issue rules governing leveraged contracts in order to make these instruments more attractive to investors. The agency did so last January, but no major brokerage house apparently wants to be the first to offer them.

Richard L. Hirsch, vice president of Rudolph Wolff Commodity Brokers and an authority on leveraged contracts, said of these investment vehicles: "First off, our house doesn't sell leveraged contracts, but it's easy to see why these instruments have always been attractive to dealers and investors, and could be again now that the business is regulated by the government."

Essentially, a leveraged contract, which usually involves precious metals, allows the investor to buy the actual gold, silver or other commodity with a small cash downpayment. The balance is in effect borrowed from the dealer.

Unlike ordinary options, Mr. Hirsch continued, "The investors can't simply walk away from their contract if the price moves against them. While leveraged contract buyers don't have to buy the actual metal on expiration day, they do have to settle their account in full and in cash at that time."

**T**HE dealers make money on leveraged contracts in several ways. For example, they charge commissions, they mark up the price of the underlying commodity, they can invest the cash from the down payment and, of course, they charge interest on the funds they advance the buyer.

"If the dealer is prudent, he will use some of this income to hedge the contracts he sells in the futures market," Mr. Hirsch said. "Most do."

The main advantage to investors is that they can acquire precious metals or other commodities with a small cash outlay and finance the rest, usually at about a half-percentage point over the current bank interest rate. If the down payment is, say, 10 percent, and the price of the commodity rises by that amount, the investment has theoretically doubled in value.

"Investors in leveraged contracts must always remember that they are buying actual commodities," Hirsch said. "They should not be confused by leveraged contracts with options. They must remember that an option is the right — but never the obligation — to buy or sell something."

To Alan J. Brody, president of the Commodity Exchange, the biggest metals futures and options market, leveraged contracts are a danger to established markets such as his, and could be a cover for crooked dealers. As he told a Futures Industry Association meeting in Chicago Thursday:

"I would question the wisdom of reputable houses selling leveraged contracts to a public where the odds are so stacked against the investor." He also said the association should have lobbied Congress to prevent the commodities commission from "legitimizing off-exchange futures contracts, by which I mean leveraged contracts."

"I would question the wisdom of reputable houses selling leveraged contracts."

## Fiat Says '83 Profit Rose 85%

### Auto Production Again Profitable

The Associated Press

**TURIN, Italy** — Fiat Group, Italy's leading private-sector industrial group, which includes the country's largest automaker, said automaking operations became profitable in 1983 for the first time since 1979, helping to nearly double consolidated group profit for the year.

Fiat reported that overall group profit was 253 billion lire (\$144 million) in the year, up 85 percent from 137 billion lire in 1982. Revenue rose 5.5 percent to 21,985 billion lire from 20,818 billion lire a year earlier.

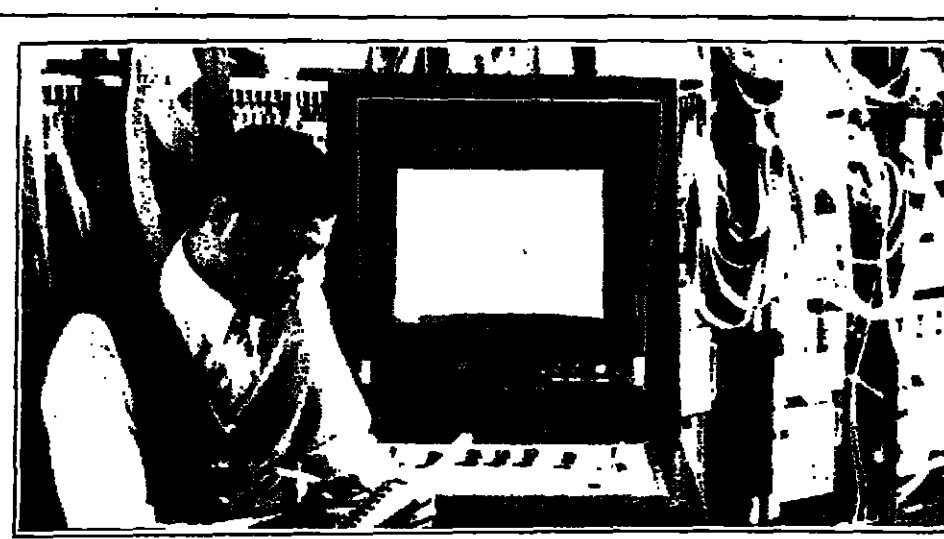
Fiat said its auto operations recorded a profit for the first time since they were reorganized as a separate operating company in 1979. Fiat Auto earlier had reported a profit for 1983 of 80.6 billion lire after a loss of 80 billion lire in 1982.

Fiat also said that sales were stronger in the agricultural tractors, components, aviation, and biocomputing sectors, which also contributed strongly to the improved results.

But revenue fell for commercial vehicles and earthmoving divisions because of a sharp contraction in those markets.

Pretax profit increased and group indebtedness declined, Fiat reported. It said the development reflected "both an improved cash flow and attentive management of working capital."

Last year, Fiat sold 52.5 percent of its products in Italy, down from 53.4 percent in 1982. It sold 84 percent of its exported products in Western Europe last year, up from 80.8 percent in 1982.



A computer-generated visual system being tested at Singer's Link Flight Simulation unit.

## Singer Co. Seems to Have Completed Thorough Overhaul of Its Business

By Thomas J. Lueck  
New York Times Service

**STAMFORD, Connecticut** — After nearly a decade of selling off unprofitable business lines, closing plants and investing heavily in new lines of aerospace and military products, Singer Co. appears to have completed what some analysts call one of the most thorough corporate restructurings in recent memory.

The changes have been slow and agonizing. What started in the mid-1970s as a gradual retreat from its old-line sewing machine business has become, during the last five years, a huge overhaul of Singer's corporate identity.

"This is a company whose whole culture was built around the sewing machine," Joseph B. Flavin, the company's chairman and chief executive officer, said in a recent interview at Singer's headquarters here. "As hard as we tried, that couldn't be changed overnight."

Singer this year will derive more than half its revenue from high-technology aerospace and military products, a line that ranges from flight simulators to submarine navigational gear. About half of the remainder will come from sewing machines and half from a variety of consumer products that includes power tools for Sears, Roebuck & Co., furniture and gas meters.

"Singer has been in a turnaround mode for years," said Morton Langer, an analyst for Bear, Stearns & Co. "And they've finally made it."

But Singer's very success in attracting military-

related business has made it vulnerable, analysts say. A change in Pentagon spending policy could cost the company dearly, they point out.

Similarly, declining domestic demand for sewing machines has prompted the company to open markets through dealers in developing nations in Latin America, Africa and Asia. But such markets pose their own dangers because of the changing value of currencies, unstable governments and primitive distribution systems.

"Singer has taken very smart steps to minimize the risk, but in both areas, sewing machines and defense, it will continue to face some uncertainty," said Jonathan Proff of E.F. Hutton & Co.

Despite some misgivings, analysts are predicting that the company's earnings will continue to increase in 1984 after a sharp rebound in 1983.

The company earned \$31.6 million last year after a loss of \$2.9 million in 1982. The recovery came although revenue slipped to \$2.48 billion, from \$2.52 billion in 1982.

The improvement picked up momentum in the first quarter, when earnings mushroomed to \$11.8 million, from \$3.1 million in 1983.

Mark Hasenberger, an analyst with Donaldson, Lufkin & Jenrette Securities Corp., estimates that earnings will double in 1984, to \$3.18 a share, from \$1.52 a share last year. He predicts that revenue will rise to \$2.64 billion.

In charge of the transformation have been Mr. Flavin, a former president of international opera-

(Continued on Page 13, Col. 3)

## U.S. Currency Records High; Gold Is Mixed

The Associated Press

**LONDON** — The dollar made sharp gains Monday against the major currencies in active trading, hitting new highs against the West German mark, the Italian lira, the French franc and the Dutch guilder. Gold prices were mixed.

The dollar was bolstered by a sharp upward revision of second-quarter U.S. gross national product estimate that underlined growth in the U.S. economy. GNP is the value of a nation's total output of goods and services.

The dollar had closed earlier in Tokyo at 245.90 yen, up from Friday's late level of 243.40 yen.

The Canadian dollar was pegged at 1.3282 dollars to \$1 against Friday's \$1.3235. The U.S. currency also strengthened to 2.8815 DM from 2.86; it rose to 8.84 French francs from 8.775, and it gained to 247.30 yen from 245.20.

European dealers said another factor in the dollar's surge was investors' unwillingness to sell dollars ahead of testimony by the Federal Reserve Board chairman, Paul A. Volcker, before the U.S. Senate Banking Committee on Wednesday.

He is expected to disclose the Fed's credit policy decision that could influence U.S. interest rates.

Gold prices dipped as the dollar gained. The precious metal's closed in London at a bid price of \$336.25 an ounce, down \$4.50 from Friday's close.

In Zurich, gold ended at \$342.50 bid, unchanged from Friday, after rising from a sharp drop earlier. Dealers cited sales by U.S. investors for the downturn along with the dollar's strength.

Gold prices dipped as the dollar gained. The precious metal's closed in London at a bid price of \$336.25 an ounce, down \$4.50 from Friday's close.

In Frankfurt, it recorded a 10½-year high of 2.878 Deutsche marks after nudging the psychological important 2.88-DM barrier in hectic trading. The dollar's late level Friday was 2.856 DM.

The U.S. currency signed off against the French franc at 8.804 after hitting an all-time trading re-

cord of 8.8085. Friday's late rate was 8.7655 francs.

In Amsterdam trading, the dollar climbed to 3.2505 guilders, a 10-year high up from Friday's late level of 3.223 guilders.

In Zurich, the dollar bounded to a new trading high of 2.4438 Swiss francs. Friday's late rate was 2.4133 francs.

In London, the dollar fended off a resurgent British pound. It cost \$1.3185 to buy one pound against \$1.324 late Friday.

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The U.S. currency signed off against the French franc at 8.804 after hitting an all-time trading re-

## Increases in U.S. Corporate Profits Slowed in 2d Quarter

By Gary Klotz  
New York Times Service

**NEW YORK** — U.S. corporate profits in the second quarter rose less robustly than in the first quarter, offering a new sign that the economy was expanding at a less-frenzied pace.

But, based on the initial wave of second-quarter results and what analysts expect of those to come, profits were still stronger than at this stage of earlier recoveries.

Many economists had expected the Commerce Department's revised estimate of economic growth in the April-June period, announced Monday as 7.5 percent, to exceed the initial "flash" estimate of a 5.7-percent increase. First-quarter growth was put at 9.7 percent.

The profit reports suggest that the recovery spread in the latest quarter, providing modest improvement for steel and other struggling industries.

Among the strongest showings were chemicals, airlines, railroads, broadcasting, metals, paper and technology.

In the auto industry, Chrysler reported record profits of \$802.9 million, more than double what it earned in the 1983 quarter. It General Motors and Ford are expected to report record second-quarter earnings this week.

Robert Ormer, the Commerce Department's chief economist, predicted that when all the reports are in, after-tax profits would be up as much as 25 percent from a year ago. Among private forecasters, Wharton Economics is projecting a 23-percent gain and Data Resources Inc., a 30-percent gain.

While the rise is not expected to measure up to the extraordinary 40-percent jump in the first quarter, Mr. Ormer and others said the gains would be unusually high for this stage of a recovery.

Robert Gough, an economist at Data Resources, said, "We're quite a bit ahead." He said percentage increases in profits in this part of a recovery tend to range in the "teens to the low 20s."

Donald H. Straszheim, chief domestic economist at Wharton Economics, said the second-quarter figures indicate that higher interest rates have not dampened business results much. The rates have increased borrowing costs, but have also fattened the pockets of consumers. Higher yields for depositors have contributed significantly to the rise in personal income, Mr. Straszheim said.

Of industries yet to report results, analysts expect energy companies to show only modest gains because of depressed prices. The brokerage industry is expected to show dismal results because of the weak stock market.

Increased demand helped provide chemical concerns with profit gains that John P. Henry, an analyst at E.F. Hutton & Co., estimates at an average 40 percent.

Profits for Dow Chemical and Celanese more than doubled.

While chemical prices were up no more than 3 percent, Mr. Henry

said, raw material costs were up even less, and demand was up 13 to 14 percent from the year before.

**Drugs**  
The strong dollar's influence on foreign sales kept drug company profits below their recent growth trend, said Richard Stover, an analyst at Smith Barney, Harris Upham & Co.

Merck & Co. had a 6.6-percent rise, Eli Lilly had an 11.9-percent gain and Upjohn was up 8.2 percent. Mr. Stover said industry profits had been growing at a 13-to-14-percent rate.

Exchange rates can have a big impact on drug companies, whose foreign operations account for 30 to 50 percent of sales.

**Broadcasters**  
Broadcasters benefited from the strong economy by being able to lure advertisers at higher rates. Fred Ansel, an analyst at Dean Witter Reynolds Inc., said profit margins were also helped by cost controls as both networks and local

stations were "getting tighter with what they're willing to pay for programming."

Profits at the three major networks helped their parent companies turn in record earnings for the quarter. At CBS Inc., where earnings were also helped by sales of Michael Jackson record albums, profits soared 51 percent. RCA Corp., the parent of the NBC network, had a 75-percent surge. American Broadcasting Cos. had a 12.2-percent gain.

**Computers**  
International Business Machines Corp., the industry leader, surprised analysts by reporting a 20.9-percent jump in profits. Burroughs had a 34.5-percent gain and Honeywell, a 26.6-percent rise.

George J. Proskauer Jr., a securities analyst at Duff & Phelps, said "a lot of new products helped fuel customer demand and the trend toward sales."

Nonetheless, the profit picture (Continued on Page 11, Col. 3)

## Crude Oil Price Declines Again

International Herald Tribune

**LONDON** — Crude oil prices on the spot, or negotiable, market fell again Monday.

Traders were quoting a price of around \$27.70 a barrel or August deliveries of Brent, the most widely traded crude from the British North Sea. The price is down about 20 cents from Friday and compares with the government's official price of \$30 a barrel. A cargo of Brent for delivery in November changed hands at \$27.90.

On the New York Mercantile Exchange, the crude oil futures contract for September delivery closed at \$28.35, down 13 cents from Friday.

The drop in prices has revived speculation that Britain will be forced to cut its official prices, putting further pressure on those quoted by the Organization of Petroleum Exporting Countries.

### CURRENCY RATES

Rate interbank rates on July 23, excluding fees.  
Official fixings for Amsterdam, Brussels, Milan, Paris, New York rates at 2 P.M. EDT.

	\$	DM	FF	£	Yen	SFR	Yen
Amsterdam	2.229	4.776	112.28	36.775	1.528	5.281	125.15
Brussels	2.229	4.776	112.28	36.775	1.528	5.281	125.15
Frankfurt	2.229	4.776	112.28	36.775	1.528	5.281	125.15
London	1.3185	2.798	11.832	2.228	4.278	74.645	2.218
Milan	1.7422	2.228	6.112	28.83	54.08	38.259	74.32
New York	1.3208	2.8012	8.14	1.7472	3.245	38.125	2.446
Paris	8.804	11.819	368.90	—	4.972	27.192	361.84
Tokyo	245.90	224.43	86.48	37.35	1.537	74.3	245.9
Zurich	2.4438	5.258	27.64	81.28	25.29	4.202	—
1 ECU	0.7864	0.9716	2.238	4.073	1.2523	2.524	45.219
1 SDR	1.0194	0.7706	2.7165	4.8424	1.798	3.295	2.474

Source: Reuters 1:25 p.m. EDT.  
(a) Commercial bank (b) American bank (c) European bank (d) Japanese bank (e) Swiss bank (f) U.S. bank (g) U.K. bank (h) Other bank (i) Not available.

### INTEREST RATES

Eurocurrency Deposits July 23

	Dollar	DM	FF	£	Yen	SFR
1M	11 1/8 - 11 3/4	5 1/4 - 5 3/4	4 1/4 - 4 3/4	12 1/2 - 12 3/4	12 1/2 - 12 3/4	9 1/4 - 9 3/4
3M	11 1/8 - 11 3/4	5 1/4 - 5 3/4	4 1/4 - 4 3/4	12 1/2 - 12 3/4	12 1/2 - 12 3/4	9 1/4 - 9 3/4
6M	12 1/8 - 12 3/4	5 3/4 - 6 1/4	4 3/4 - 5 1/4	13 1/2 - 13 3/4	13 1/2 - 13 3/4	10 1/4 - 10 3/4
1Y	12 3/4 - 13 1/4	6 1/4 - 6 3/4	5 1/4 - 5 3/4	14 1/2 - 14 3/4	14 1/2 - 14 3/4	10 3/4 - 11 1/4

Rates applicable to interbank deposits of \$1 million minimum (for equivalent).

Asian Dollar Rates July 23

	1 mo.	3 mo.	6 mo.	1 year
1M	11 1/8 - 11 3/4	11 1/8 - 11 3/4	12 1/2 - 12 3/4	12 1/2 - 12 3/4
3M	11 1/8 - 11 3/4	11 1/8 - 11 3/4	12 1/2 - 12 3/4	12 1/2 - 12 3/4
6M	12 1/8 - 12 3/4	12 1/8 - 12 3/4	13 1/2 - 13 3/4	13 1/2 - 13 3/4
1Y	12 3/4 - 13 1/4	12 3/4 - 13 1/4	14 1/2 - 14 3/4	14 1/2 - 14 3/4

Key Money Rates

	U.S.	DM	FF	£	Yen	SFR
Discount Rate	9	9	9	9	9	9
Federal Funds	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
Prime Rate	12	12	12	12	12	12
Banker's Loan Rate	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2
Commercial Paper, 30-120 days	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2
3-month Treasury bills	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2
6-month Treasury bills	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2
CDs 30-90 days	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2
CDs 90-180 days	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2

West Germany

	5.50	5.50
Lombard Rate	5.50	5.50
Overnight Rate	5.50	5.50
One Month Interbank	5.50	5.50
3-month Interbank	5.50	5.50
6-month Interbank	5.50	5.50

Japan

	5	5
Discount Rate	5	5
Call Money	5	5
3-month Interbank	5	5

Source: Commercial Bank of Tokyo

Market Closing

Belgian banks and the country's stock market were closed Mon-

## Falling Prices in U.S. Cause Concern to Some — but Not All — Economists

By Peter T. Kilborn  
New York Times Service

**WASHINGTON** — No sooner had economists and government policy-makers begun celebrating the conquest of the stubborn inflation of a few years ago than they spotted a new affliction in the U.S. economy — deflation. Now its symptoms have begun to spread.

Deflation is inflation upside down. It is this summer's falling prices in chemicals, long-distance telephone calls, silver, gold, internal combustion engines, cattle, common stocks, various industrial metals, computers and semiconductors, natural rubber, houses in California, gasoline and oil, plywood, milk and eggs, Middle Western farmland and the hay that farmers grow on it.

So far deflation in the economy is spotty, and there is not enough of it to suggest that the economy as a whole is likely to turn deflationary. Prices in general are still rising, at a rate of about 4 percent, and wages are rising about 5 percent. The U.S. money supply — all its cash and bank deposits — would shrink if the overall economy had turned deflationary, but it is still expanding.

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BUSINESS ROUNDUP

# Continental Report Says Bad Loans Were Concentrated in One Division

By James L. Rowe Jr.  
Washington Post Service  
WASHINGTON — Top officers at the troubled Continental Illinois National Bank & Trust Co. either ignored or did not see numerous "red flags" raised from 1980 to 1982 as a result of unchecked lending by its oil and gas division, a committee of outside directors has concluded.

Continental is now on the brink of failure, largely because of the bad loans made by the oil and gas division. The giant bank, which had assets of \$41.4 billion last March, is being kept alive with a \$7.5-billion rescue package and is likely to be taken over by the Federal Deposit Insurance Corp. this week or early next week.

The FDIC will have to buy most of the bank's bad loans in return for virtual control of the bank.

The directors' report, which was made public Sunday, outlines negligence on the part of a number of bank officers during the period in which one bank official, John R. Lytle, bought nearly \$1 billion of oil and gas loans originally made by Penn Square National Bank in Oklahoma. Most of the loans that Continental bought from Penn Square were bad, and Penn Square failed in July 1982.

The directors said Mr. Lytle knowingly violated many of the bank's lending procedures and continuously thwarted the auditing and control department's attempts to get a clear picture of many Penn Square loans. Even after he was ordered to stop buying Penn Square loans, he continued to do so.

He also was discovered to have borrowed \$565,000 from Penn Square for his personal use, but his superiors did not fire him although other executives in the bank said they should have.

The directors said that John A. Redding, head of oil and gas and Mr. Lytle's immediate superior, knew much of what Mr. Lytle was doing, but did nothing to stop him, even though many of the loans Mr. Lytle made required Mr. Redding's approval. The money was disbursed anyway, with Mr. Redding declining to put his initials on loans, even after "the money was already out the door," the directors said.

Between Dec. 31, 1980, and July 1, 1982, Continental increased its purchases of Penn Square loans from \$200 million to \$1.1 billion, most of them under Mr. Lytle's control.

The directors' report also said that Mr. Redding and Gerald K. Bergman, head of the special-industries division that included oil and gas lending, ignored reports from two separate audit teams sent to Penn Square in September and December 1981. They also are said to have ignored numerous reports from the accounting and auditing departments pointing out that the Penn Square loans did not have proper approval, had not been properly evaluated or had other defects.

The directors went out of their way in the report to show that, except for the special-industries division, headed by Mr. Bergman, Continental followed sound lending practices. Government and banking sources also have said in recent weeks that most of Continental's problem loans are concentrated in a few areas controlled by the special industries division.

Continental is not the only major financial institution stung by the Penn Square failure. For example, Seattle First National Bank had not Bank of America bought the Seattle bank. Penn Square triggered a lack of confidence in Continental among domestic depositors that forced the bank to sell much of its funds abroad. That foreign run, which started in early May, would have sunk the bank if the government and other big banks had not provided a massive rescue package.

Continental is now estimated to have more than \$3 billion in bad loans. As the nation's eighth-largest bank, it is too big to be allowed to fail because of the severe trauma it would cause the U.S. and the international financial systems. Also, as a massive multinational institution, it is also too big to be rescued in a merger with another healthy bank.

The directors' report was concluded in early 1983 but was kept secret by Continental until Sunday. The bank's chairman, David G. Taylor, who took over in February, said he released the report "to put behind us a most difficult period."

## EC Postpones IBM Statement

The Associated Press  
BRUSSELS — The European Community's executive commission Monday postponed until later this week an announcement on how it will resolve its four-year-old antitrust case against International Business Machines Corp.

"We still think an accord is possible or we would not pursue this matter to the extent that we are," a commission spokesman said. "We are close to an accord, but we are not there yet."

He added that talks between IBM and commission officials continued during the weekend and on Monday in Brussels.

A spokesman for IBM in Paris said he had no information about why the announcement was put off.

The commission's case centers on its charge that the U.S.-based computer giant is abusing its dominant position in the West European market. It says IBM is restricting competition by not publishing product details early enough to allow other computer companies to develop equipment that is compatible with IBM machines.

## Falling Prices Cause Worry

(Continued from Page 9)

make payments on their burdensome debt. As they try to do so, American interest rates (to which rates on loans to developing nations are tied) have been rising. In expectation of still higher rates, therefore, the debtor countries have redoubled their efforts to export — in some cases even at prices below what it cost them to produce the raw materials.

Because economic recovery in many of those countries has been slow, furthermore, they have little domestic need for the materials, so they export them. This has pushed up the world supply.

Those countries' customers — including U.S. industry — have contributed to the deflationary cycle. Companies normally borrow to buy raw materials for their inventories, but with interest rates high, they buy no more than they need right away. Now, with falling prices, there is another incentive to buy no more than necessary. If companies find they can not use what they buy, they are stuck with a depreciating asset.

## Amex Fights Expansion Of NASD Market System

The Associated Press  
NEW YORK — The American Stock Exchange has reacted to a proposal to expand the National Market System by asking federal authorities to reject the request.

The National Association of Securities Dealers is seeking permission to expand to about 2,500 stocks from the current 1,006 issues in its National Market System, which reports the same trading information as stocks traded on the stock exchanges. Most over-the-counter stocks have only "bid" and "asked" prices reported.

The National Market System stocks have grown rapidly in popularity, and some companies that normally would have moved on to a listing with an exchange have remained in the over-the-counter system.

In a recent letter to the Securities and Exchange Commission, Robert J. Birnbaum, president of the American Stock Exchange, said the NASD had misled investors by its use of the term National Market System.

He said SEC rules giving companies a choice of whether to be in-

## Profits Up

(Continued from Page 9)

was mixed. Apple Computer, which has been spending heavily on marketing personal computers, had a 24.4-percent decline in earnings. Control Data had a 39.7-percent drop.

Airlines

Early results indicate that the industry continued to improve. AMR Corp., the parent of American Airlines, had an 80-percent increase in profits; USAir was up 39 percent.

As for the major carriers yet to report, Charles Hanneman, an analyst at Thomson McKinnon Securities, said that a couple may show losses but that most should show good gains.

## Grand Met Remains Determined To Sell U.S. Cigarette Operations

International Herald Tribune  
LONDON — Grand Metropolitan PLC still intends to sell its U.S. cigarette operations, Stanley Grinstead, chairman, said Monday. The brewing, dairy products and hotel company announced Friday that it had broken off talks to sell its Liggett & Myers Tobacco Co. unit to the unit's management and outside investors for about \$325 million.

Mr. Grinstead confirmed in an interview Monday that the talks failed because of the recent introduction of generic, or no-brand, cigarettes competing with Liggett's offerings. The added competition has pushed prices down and "created some confusion in the marketplace," he said.

Grand Met must wait for that confusion to clear up before it can make reliable profit projections for the unit, which was acquired in 1980, Mr. Grinstead said.

In the meantime, Grand Met is pressing ahead with its efforts to find new U.S. acquisitions in the fields of retailing or consumer services. The chairman said that the company is involved in talks about possible U.S. acquisitions but that none are in the final stages.

Grand Met's current U.S. operations include pet foods, soft drinks, exercise equipment and child-care centers.

## Sears Reports 14% Rise in Net For 2d Quarter

United Press International  
CHICAGO — Strong consumer spending boosted Sears Roebuck and Co.'s second-quarter net income to \$356 million, or 99 cents per share, a 14-percent gain over second-quarter earnings last year, Sears reported Monday.

Second-quarter net income in 1983 was \$311.2 million, or 89 cents per share, the company said. Revenues rose 9 percent to \$9.44 billion during the second quarter of 1984, up from \$8.65 billion reported in the like period of 1983, the company said.

For the first six months of the year Sears reported consolidated net income of \$569.8 million, or \$1.59 cents per share, a 21-percent gain over the \$470.7 million, or \$1.34 per share, recorded during the first half of 1983.

First-half revenues were \$17.8 billion, a 10-percent increase over first-half revenues of \$16.1 billion in 1983, the company said.

Gains in Sears merchandise, insurance and real estate groups offset losses in the financial services group, said the company's chairman, Edward Telling.

The Dean Witter Financial Services Group reported a second-quarter loss of \$22.7 million, compared with second-period income of \$33.3 million in 1983, because of "reduced retail securities business and increased costs," Mr. Telling said.

## Armco Loss Narrowed During the 2d Quarter

United Press International  
MIDDLETOWN, Ohio — Armco Inc. said Monday that it had a loss of \$14.1 million in the second quarter compared with a loss of \$75.8 million a year earlier.

Sales this year increased 9 percent to \$1.2 billion from \$1.1 billion a year ago, the steelmaker said.

## Tate & Lyle PLC Offers To Buy Brooke Bond

By Bob Hagerty  
International Herald Tribune  
LONDON — Tate & Lyle PLC, a British sugar producer, started the stock market Monday with a £296-million (\$390-million) takeover bid for Brooke Bond Group PLC, a tea and timber company.

Brooke rejected the bid as "wholly inadequate" and advised shareholders to take no action.

The sugar producer said the combination would provide "an excellent platform" for acquisitions in Europe and North America. Tate also said it would concentrate on food-related businesses and keep other businesses under "constant review." Some analysts read this as a hint that Tate would consider selling Brooke's timber and building supplies business.

Several analysts said they were disappointed by the bid from Tate, which has won high praise over the past few years for streamlining its operations and winning higher profits from sugar in a difficult market.

Like sugar, Brooke's tea and timber businesses are highly cyclical, analysts noted. Moreover, tea and timber prices are widely believed to be near their peaks for the current cycle.

Tate are coming in at the top," one analyst complained.

In the six months ended March 31, Tate had pretax profit of £27 million, up 28 percent from a year earlier, on sales of £811 million, down 27 percent.

At Brooke, pretax profit in the six months ended Dec. 31 totaled £29.2 million, an increase of 40 percent. Sales rose 13 percent to £510.5 million.

Brooke produces and distributes tea, chicken and beef bouillon cubes, canned meats and other grocery products. It also operates tea plantations and a chain of butcher shops.

## Standard Oil Of Indiana Says Net Rose

United Press International  
NEW YORK — Standard Oil Co. of Indiana, the fourth largest U.S. oil company, reported on Monday that profit in the second quarter rose 23 percent above the year-earlier level.

Analysts had predicted that some oil companies that market gasoline on the West Coast of the United States would find their second-quarter earnings restrained by eroding pump prices.

But Indiana Standard, the No. 1 U.S. gasoline marketer under the brand name Amoco, is not a force on the West Coast and its results for the April-June quarter slightly exceeded some analysts' expectations.

In the second quarter Indiana Standard earned \$524 million, or \$1.81 a share, up from \$426 million, or \$1.46 a share, in the same period last year. Revenues were unchanged at \$7.4 billion for both the 1984 and 1983 quarters.

## Wang Earnings Reach Record \$210 Million

United Press International  
LOWELL, Massachusetts — Wang Laboratories Inc. reported Monday that earnings for fiscal 1984 had risen 38 percent to a record \$210.2 million.

The year-end income, \$152 per share, compared with earnings of \$152 million in fiscal 1983. Sales for the year increased 42 percent to a record \$2.2 billion from \$1.5 billion the previous year.

Wang's fiscal 1984 earnings were up from \$152 million in 1983, the company said. Sales were up from \$1.5 billion in 1983 to \$2.2 billion in 1984.

The company's earnings were up from \$152 million in 1983 to \$210.2 million in 1984. Sales were up from \$1.5 billion in 1983 to \$2.2 billion in 1984.

## Chrysler Financing Unit Posts 78% Profit Rise

The Associated Press  
DETROIT — Chrysler Financial Corp., a unit of Chrysler Corp., reported a 78-percent increase in second-quarter earnings from a year earlier on more than \$4 billion in financing.

The company, which provides financing for the purchase of cars made by Chrysler, earned \$21.4 million in the quarter, compared with \$12 million the second quarter of 1983, President E.O. Grote said Monday.

## DKB ECONOMIC REPORT

July 1984; Vol. 13, No. 7

## Corporations grow increasingly positive in assessment of business trend in Japan

Favorable effects of economic recovery abroad are being felt in the Japanese economy as a whole through an increase in exports. According to the provisional national income statistics announced in the middle of June, the real GNP increased 1.8 per cent in the January-March period over the preceding quarter. The growth rate was far larger than the preceding quarter's 0.8 per cent. While the high real GNP growth for the January-March period was partly attributable to the influence of the leap year, the underlying upturn of business since last year was maintained even after discounting this special element.

Among major demand factors, conspicuous growth was achieved in exports up 4.4 per cent over the preceding quarter and in corporate capital investment up 3.0 per cent. The strong performance of exports reflected recovery of overseas economies, particularly in the U.S., while the increase in capital investment stemmed from improvement of corporate earnings coupled with a rise in the operating rate.

Personal consumption, on the other hand, continued to be sluggish. Private final consumption expenditures rose 0.5 per cent in the October-December period last year and 1.1 per cent in the January-March period this year, each over the preceding quarter. Growth for the January-March period, however, largely reflected the influence of the leap year; when adjusted for this factor, the growth rate diminished to 0.3 per cent or so. Private housing rose 5.7 per cent in the October-December period, but was down 2.5 per cent in January-March.

Helped by high growth in the January-March period, the real GNP increase for fiscal 1983 proved to be a higher-than-expected 3.7 per cent, which exceeded the 3.5 per cent for fiscal 1981 and 3.3 per cent for fiscal 1982.

Feeling of boom spreading over industries

As for contributions to GNP

growth, that of domestic demand dropped to 1.9 per cent from fiscal 1982's 2.9 per cent, while that of current overseas surplus (exports minus imports) rose to 1.8 per cent from 0.4 per cent. The contribution of domestic demand diminished despite relatively strong plant and equipment outlays, simply because personal consumption demand was weak due to slow income growth. The share of the current overseas surplus rose due to strong exports that had prevailed since the start of the fiscal year, compared with a pickup in imports that started only at the midpoint.

Macro business recovery, as seen in the GNP, is clearly reflected in enterprises' assessment of business. In the Bank of Japan's short-term business survey (conducted as of May), the percentage of major manufacturing concerns that assess their business condition to be "good" came ahead of that of concerns with "poor" assessments. This was the first time since August 1980 that companies with positive assessments outnumbered those with negative assessments. In September, the difference is expected to broaden to 21 percentage points from the 11 points in the May survey.

In the non-manufacturing sector also, the "good" assessment has gradually been increasing, while the "poor" assessment has been on the decline. In the May survey, the two were even, and "good" is expected to come slightly ahead of "poor" in September.

By industry, concerns with "poor" assessments out-numbered those with "good" assessments in six fields, including steel, shipbuilding, construction, and retail. In May, but after September this is expected to be the case in only three fields, including shipbuilding.

The rising boom feeling is nothing but a reflection of swelling sales and improvement in corporate earnings, both actual and prospective.

Sales at leading manufacturing concerns are expected to increase 5.9 per cent in fiscal

1984, compared with a 4 per cent increase in fiscal 1983. Growth of non-manufacturing sales is also expected to accelerate to 4.1 per cent in fiscal 1984 from the 1.5 per cent in fiscal 1983. Pre-tax recurring profits of major corporations are expected to continue to post a strong gain in fiscal 1984 — 11.7 per cent, following 13.8 per cent in fiscal 1983.

These trends in corporate results are causing a visible pickup in capital investment. According to the Ministry of Finance's corporate statistical survey, capital investment of all corporations with capitalization of more than ¥10 million turned up in the April-June period of last year, following two consecutive quarters of decrease, and increased 16.8 per cent in the first three months of this year over the year-earlier level.

Capital investment is increasing particularly sharply among smaller enterprises with capitalization of between ¥10 million and ¥100 million: the gain in the January-March period was 49.6 per cent over a year earlier.

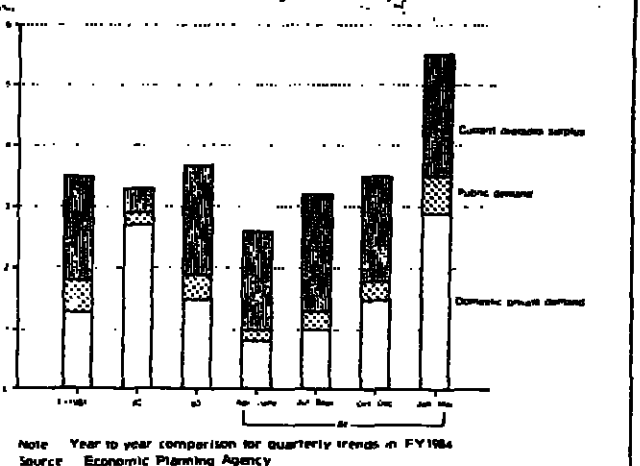
The upsurge of capital investment is also evident from the trend of orders of machinery, a leading indicator of such investment. Seen in a three-month moving average, orders for machinery (private, exclusive of ships and those placed by power utilities) kept expanding at a monthly rate of 2.2 per cent from December through February. In March, the growth rate accelerated to 3.2 per cent.

Personal consumption still sluggish

In contrast with corporate capital expenditures, which are gathering momentum, personal consumption remains in the doldrums. According to the Prime Minister's Office's survey, real consumption expenditures by the nation's households increased by 0.3 per cent in fiscal 1983, compared with the 2.4 per cent gain in fiscal 1982.

The weakness was notable in recent months — down 3 per cent in January from a year

## Growth Rates of Gross National Expenditure and Rates of Contribution of Major Demand Factors



earlier and down 1.6 per cent in March, while a 4.1 per cent increase was recorded in February due to the influence of the leap year.

The continuously low level of consumption is basically a result of a slow gain in income. The increase in real disposable income of wage earners' households in fiscal 1983 was only 0.9 per cent, compared with the 2.6 per cent for fiscal 1982. In terms of each quarter's year-to-year gain, however, the increase has been slowly but steadily accelerating after the 0.4 per cent decrease in the July-September period of last year, recovering to a 1.9 per cent increase in the January-March period of this year. In the meantime, the year-to-year gain in overtime accelerated from 3.3 per cent to 8 per cent, and this is considered to be primarily responsible for an increase in incomes. This trend is expected to continue in the months ahead reflecting domestic business recovery.

What's more, a survey by the Japan Federation of Employers' Associations shows that the summer bonuses at 328 leading corporations will be 5 per cent higher than last year, substantially larger than the comparable increase of 1.85 per cent registered a year earlier.

Financial liberalization

Japan's financial liberalization, which had been under study at the Japan-U.S. ad hoc committee on yen-dollar issues, has taken a major step forward in accordance with the report compiled by the committee for submission to the finance ministers of the two countries. Committed with this the Japanese Finance Ministry issued a paper titled "Current State and Prospects of Financial Liberalization and Internationalization of the Yen."

The major points contained in the two documents are:

- 1) Prospects for the yen's internationalization, centering on liberalization of European transactions, like relaxation of restrictions on Euroyen bonds.
- 2) Direction for phased liberalization of deposit interest rates, starting with large denomination deposit instruments and moving toward smaller denominations.
- 3) Strengthening and streamlining of money and capital markets, such as the creation of a yen BA market.
- 4) Guidelines for business that falls on borderlines between the banking and securities industries.
- 5) Measures to maintain orders of credit, such as strengthening of the deposit insurance system.
- 6) Abolition of restrictions on yen conversion of foreign currencies.
- 7) Opening of financial markets, particularly that of the trust business, to foreign banking institutions.

Although pressures from abroad have been an important catalyst, liberalization of the Japanese financial system is basically a step being taken in response to changes in the country's own economic and social structures. They are, to name a few, growing interest rate sensitivity among customers in the midst of massive issuance of government bonds, diversification of fund raising and investing and increasing mechanization of financial institutions' operations.

# The "Bamboo"

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The next DKB monthly report will appear August 28.



Grains									
WHEAT (CBT)	5,000 bu minimum	dollars per bushel	High	Low	Open	High	Low	Close	Chg
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